Austria	Sch30	Indonesia	Rp3600	Pakistan	Rs35
Bahrain	Din1.000	Iran	Ri4210	Philippines	Peo45
Belgium	BFr60	Israel	Shk5.50	Poland	Zl 16,000
Cyprus	C£1.00	Italy	L2500	Portugal	Es180
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr14	Korea	Won 2500	S.Arabia	SR9.00
Egypt	E£4.00	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,250	Spain	Pta200
France	FFr8.00	Lux	LFr60	Sweden	SKr14
Germany	DM3.20	Morocco	MDh11	Switz	SFr3.00
Greece	Dr250	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft182	Nigeria	Naira20	Tunisia	Din1.000
Iceland	IKr170	Norway	NKr15.00	Turkey	L6000
India	Rs20	Oman	OR1.20	UAE	Dh9.00

EUROPE'S BUSINESS NEWSPAPER

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Monday February 3 1992

D 8523A

SOUTH AFRICA

Whites look to future past

Page 4

World News

UK election fever sparks accusation of 'dirty tricks'

Britain's opposition Labour party claimed yesterday that its leader, Neil Kinnock, had been smeared by media stories about a meeting with the Soviet ambassador. The ruling Conservatives reacted with almost equal anger when accused of conducting their "dirtiest" election campaign this century.

UK politics have for weeks been gripped by election fever although no polling date has been announced. Page 12; Ballot box conundrum, Page 11

Italian polling date

Italy's president Francesco Cossiga called early general elections for April 5 and 6. He said the present parliament had exhausted itself and the moment had come for Italy to reform itself.

Avalanche kills 142

At least 142 people are known to have died in avalanches in south-eastern Turkey at the weekend and another 150 are still missing. Picture, Page 2

Talks on Macau

Chinese prime minister Li Peng is in Lisbon for talks expected to focus on the return to China of the Portuguese colony of Macau. The territory is to due be returned to Beijing in 1999, two years after Hong Kong.

'Shoot on sight'

Israeli troops have been told to shoot armed guerrillas on sight, according to Israeli military sources. Four Israelis have been shot dead in the occupied West Bank and Gaza Strip since late October.

Iraqis seek asylum

Eighty four Iraqis arrived in Spain on a Jordanian Airlines jet and asked for political asylum. Their petition will be considered today.

Rival groups rally

Local supporters of the African National Congress and the rival Inkatha Freedom party met for a joint rally Mpumalanga township near Durban to symbolise peace after years of fighting. Whites look to a future past, Page 4

Offer of negotiations

Azerbaijan's foreign minister Hussein Sadikhov offered to meet his Armenian counterpart to discuss the deepening conflict over Nagorno-Karabkh, the disputed Armenian enclave within Azerbaijan.

Irish premiership

Former cabinet minister Albert Reynolds seemed certain to become Ireland's next prime minister after Bertie Ahern, his main rival, dropped out of the contest. Page 12; Editorial Comment, Page 10

More imams arrested

Algeria's security forces have arrested three more Moslem preachers in the current purge on the use of mosques for political ends. About 30 imams have been detained since the scrapping of elections which the Islamic Salvation Front seemed set to win.

Yugoslavs deadlocked

Three days' intensive talks failed to persuade hardline Serbs from Croatia to accept a United Nations peace plan. The UN needs the backing of all sides before it will consider sending 10,000 peacekeepers to Yugoslavia. Page 3

Protests outside church

Demonstrators rallied outside churches across Australia to protest against a weekend court ruling which prevented the ordination of the country's first Anglican women priests. Eleven women deacons were to have been ordained yesterday in the New South Wales town of Goulburn.

Business Summary

Eurotunnel to seek damages over extra safety costs

Eurotunnel, the Channel tunnel operator, intends to claim damages from the British and French governments to compensate for the cost of additional safety requirements.

The company says that, since the changes to the tunnel's operation and rolling stock design were not in the original contract, additional costs should be met by the governments. Page 14

GUINESS Peat Aviation, the aircraft leasing company, has rejected advice from banks to price shares in its forthcoming flotation at around $20. Page 13

WASTE MANAGEMENT International, the world's biggest waste disposal group, is bringing forward a $500m public share offer to late-March.

Maxwell recycled seized funds

Nearly all of the £900m siphoned away by Robert Maxwell from public companies, pension funds and banks was recycled to other banks in an attempt to shore up his tottering private empire, according to a Financial Times' analysis of the findings of the probe into the collapse of the Maxwell empire.

Page 14

POLAND'S gross domestic product declined 8-10 per cent last year and unemployment doubled to 11.4 per cent of the workforce. Page 3

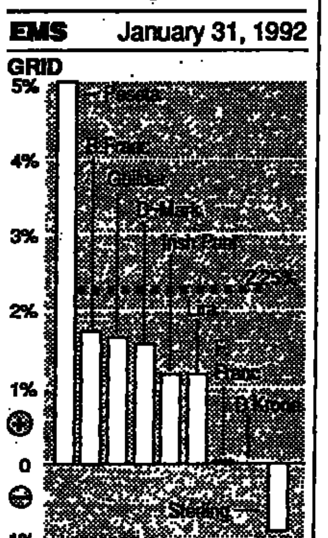
PETROFINA, the oil company and Belgium's largest industrial group, saw consolidated profits slip nearly 25 per cent in 1991, from BFr21.7bn ($665m) to BFr16.3bn. Page 15

BANESTO, the Spanish retail bank, increased pre-tax profits of its financial operations by 27 per cent to Pta75.6bn ($763m) last year. Page 15

ITALY approved long-awaited takeover rules which are designed to protect the rights of minority shareholders.

EUROPEAN monetary system: Sterling remained the weakest currency in the system last week, staying close to its maximum permitted divergence from the strongest currency, the peseta. Currencies, Page 23

EMS January 31, 1992



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

FERRUZZI, the Italian agro-industrial group, unveiled terms for the merger of its Italian and French sugar subsidiaries. Page 15

PARKER PEN, the UK writing instrument maker, is being offered for sale in a global auction that is likely to raise up to £300m. Page 13

Yeltsin warns Cold War could restart unless western aid arrives

US backs Russian IMF entry

By Lionel Barber, US Editor, in Washington

PRESIDENT George Bush pledged full US support for Russia's early entry to the International Monetary Fund and World Bank after weekend talks with Mr Boris Yeltsin, the Russian president.

Mr Bush's pledge brings the US closer to Britain, which is pressing for Russia to become a full IMF member by April. This would speed efforts to create a fund to help to stabilise the rouble and underpin economic reform.

During 3½ hours of talks at Camp David on Saturday, Mr Yeltsin delivered an impassioned appeal to Mr Bush – repeated later to Congressional leaders – for western support. Failure to respond would mean a return to the Cold War and the arms race, he said.

Mr Bush, who faces the conflicting pressures of a $400bn budget deficit and calls to spend money at home to ease the effects of recession, avoided a commitment to provide direct financial aid. Instead, he stressed the provision of food and medical supplies.

The US administration shifted its opposition to Russian membership of the IMF late last year. The move stemmed from a growing realisation that the Fund – a neutral body with substantial credit resources – was best placed to deal with economic reform in the former Soviet republics.

But a senior US official expressed concern at "bureacratic delays" over processing the Russian application for membership and dispensing advice to reformers in Moscow. The British government is also chafing at talk that Russia may not gain access to the Fund – and therefore credit – until the autumn.

Mr Bush and Mr Yeltsin agreed to hold two summits this year. Mr Yeltsin will make a state visit to Washington this spring, with Mr Bush going to Moscow by December.

The two leaders also signed a joint declaration that the US and Russia "do not regard each other as potential adversaries". From now on, their relationship would be characterised by "mutual trust and respect".

Mr James Baker, US secretary of state, will visit Moscow in the middle of this month to discuss proposals to cut offensive long-range nuclear missiles. They will also talk about Mr Yeltsin's idea of working on a joint project to create a global space-shield against missile attack.

Mr Richard Cheney, US defence secretary, yesterday rejected Mr Yeltsin's call for massive cuts in long-range nuclear weapons beyond those already proposed by Mr Bush.

On Friday night at the United Nations, Mr Yeltsin spoke in glowing tones reminiscent of former US president Ronald Reagan of the prospects for creating a "Star Wars" defence shield which would ultimately render nuclear weapons obsolete.

Mr Bush, a good deal more sceptical than Mr Reagan about the technical feasibility of such a system and hesitant about Mr Yeltsin's call for deeper cuts on sea-launched ballistic missiles, said: "We saluted his very broad proposals."

Congressional leaders who spoke to Mr Yeltsin said he had urged them to approve immediate new shipments of food and medicine to help Russia and the other republics through the winter. Asked for specifics, Mr Yeltsin replied: "Everything."

Rising discontent, Page 12

Presidents Bush and Yeltsin walk towards waiting reporters soon after the Soviet leader's arrival at Camp David

Storm over Habash affair rages on

By Ian Davidson in Paris

THE French government was under renewed political fire yesterday as some Socialist party members demanded government changes following the controversial admission into a Paris hospital of Palestinian leader George Habash.

The political storm which broke last week after the hospitalisation of Mr Habash, leader of the extremist Popular Front for the Liberation of Palestine (PFLP), has continued to rage since his sudden departure on Saturday for Tunis. Mrs Edith Cresson's Socialist administration has been shaken by the crisis, which even government ministers have admitted indicates a serious malfunctioning of the machinery of the state, and it is not clear that the government's authority can be restored without a reshuffle.

Speculation about a reshuffle was prompted on Saturday when President François Mitterrand summoned Mrs Cresson to the Elysée for an 80-minute post mortem on the affair, followed by a 90-minute interview with Mr Philippe Marchand, the interior minister. Mrs Cresson promptly cancelled her planned visit to the World Economic Forum at Davos, Switzerland.

Until last week, Mr Mitterrand was expected to postpone any reshuffle until he had measured the results of next month's regional elections. The crisis may force an acceleration of that timetable.

It has already claimed five victims. Mrs Georgina Dufoix resigned from her position as adviser to Mr Mitterrand, and also faces demands that she resign as president of the Red Cross, which endorsed Mr Habash's request for hospital treatment.

However, these resignations have failed to convince the French that the decision to allow into the country a man suspected of masterminding aircraft hijackings in the 1970s was taken by civil servants without clearance from their political masters.

The government's official story is that Mr Habash was admitted for hospital treatment last Wednesday without the knowledge or the authorisation of the highest levels of the government, while Mr Mitterrand and Mr Roland Dumas, the foreign minister, were visiting Oman.

But the Red Cross has said it

Continued on Page 12

Hopes rise for a deal over Germany's tax reforms

By Quentin Peel in Bonn

HOPES rose at the weekend for a deal between the German government and opposition over a deadlocked package of tax reforms.

The reforms include a percentage point rise in value added tax and a variety of enterprise taxation cuts. They have been blocked since last December.

A possible compromise put forward by the ruling coalition is for the VAT rise to be put almost entirely into the German Unity Fund. This would relieve the financial burden on the federal states in former West Germany.

Another deal, proposed by Social Democrats from the state of Lower Saxony, is for the pain of raising VAT from 14 to 15 per cent to be offset by doubling child allowances to DM100 ($62.80) a month.

The two houses of the German parliament – the directly-elected Bundestag, in which the government has the majority, and the upper house, or Bundesrat, where states ruled by the Social Democrats (SPD) have the upper hand – are scheduled to resume negotiations on Wednesday. Without a deal, the whole tax reform package for 1992 will fail. The VAT increase is proposed for January 1 1993.

Mr Theo Waigel, finance minister, told Die Welt am Sonntag, the Sunday newspaper, that the ruling coalition was offering a "fair and financially bearable new compromise".

Details which emerged last week include devoting almost all the extra revenue from the VAT increase – about DM11bn – to the unity fund. The federal states would be allowed to keep their own structural funds, for infrastructure spending, intact from 1993. They would also get a slightly higher proportion of VAT – 36.5 instead of the current 36 per cent – paid directly to their own budgets.

That should increase the temptation for some SPD-ruled states to break ranks with their national leadership and agree on a deal.

Mr Oskar Lafontaine, the SPD deputy leader and chief negotiator, remains adamant that any VAT increase is out of the question, providing an upward twist to inflation and stoking wage demands. He also rejects cuts in company tax at a time when the exchequer is running a record deficit.

However, Mr Lafontaine admits that a legally binding deal in Brussels for all EC states to have a minimum VAT rate of 15 per cent from 1993 – which seems inevitable in the coming weeks – would cut the ground from under the SPD.

Thus the compromise proposal from Mr Gerhard Schröder, SPD premier of Lower Saxony, could provide a face-saving way out: the SPD could claim the credit for the doubling in child allowances in exchange for an inevitable back-down over VAT.

Brittan urges role for Gatt in competition enforcement

By Andrew Hill in Brussels

WORLDWIDE competition rules covering subsidies, cartels, merger policy and even public monopolies should be drawn up under the General Agreement on Tariffs and Trades, according to Sir Leon Brittan, EC commissioner for competition.

Sir Leon will tell the World Economic Forum in Davos, Switzerland, today that a strong role should be sought for Gatt in the field of competition law and enforcement, with the aim of passing free trade benefits on to the consumer. Sir Leon considers the speech to be the most important of his career.

Without wanting national competition laws to be swept away, Sir Leon, a minister in the cabinet of former UK minister Margaret Thatcher, envisages a gradual increase in the scope of Gatt, offsetting its reliance on trade law:

- Subsidies. Gatt already has the power to rule on the acceptability of state aid to companies, but Sir Leon believes that power should be increased and the system of enforcing Gatt decisions strengthened.
- Cartels. The first priority should be to draw up clear international definitions of cartels and restrictive practices. Such cartels should be outlawed through the national legislation of Gatt signatories. As a safety net, Gatt's central dispute settlement mechanism should be reinforced.
- Mergers. Sir Leon concedes that a supranational merger authority – along the lines of the EC's 16-month-old merger control task force – is impracticable at this stage. However, he would like to see a core of common rules on mergers enforced by member states, with Gatt as an international forum for handling disputes.
- Public monopolies. The European Commission's recent attempts to break up national monopolies have proved that this is the most controversial and sensitive area of developing EC competition policy. Nevertheless, Sir Leon will suggest that distortions caused by public monopolies, or exclusive rights granted by public authorities, could also be tackled through Gatt.

Sir Leon's speech will be the most forceful expression to date of his conviction that the Commission is leading the way in the assault on anti-competitive practices and that the rest of the world should follow suit.

CONTENTS

THE MONDAY INTERVIEW

Alberto Fujimori (left) won Peru's presidential elections against all odds in 1990, inheriting control over a country on the verge of economic collapse. Eighteen months later, even his critics acknowledge that progress has been made.
Page 28

FORTHCOMING FT SURVEYS

PORTABLE COMPUTERS
New ways of computing on the move with compact, but increasingly powerful, machines. *See details, right.*

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Philippines: belated reforms aim to counter economic drift.

Portable Computers: how technology is changing attitudes towards computing.

■ FEBRUARY 18:

Tyne and Wear: a resilient response to the recession.

■ FEBRUARY 19:

FT Traveller, Hong Kong: our guide for the business visitor.

■ FEBRUARY 20:

Corporate Contracted Services: cost savings spur use of outside agencies.

Vehicle Fleet Management: coping with a stretched car and truck replacement cycle.

Gephardt and Bentsen 'may join the race'

Democrats fear for Clinton's chances

By Lionel Barber in Washington

DOUBTS about Governor Bill Clinton of Arkansas, the early front-runner for the Democratic party's nomination for the US presidency, are surfacing among party leaders in Congress.

In the wake of adultery allegations against Mr Clinton, Mr Dick Gephardt, majority leader in the House of Representatives, and Senator Lloyd Bentsen of Texas, the party's vice-presidential candidate in 1988, are reported to be considering entering the campaign if further allegations are made against Mr Clinton.

Mr George Mitchell, majority leader in the Senate, said on television yesterday a "substantial" number of senators had urged him to run. But he added: "I do not intend to be a candidate."

Senator Mitchell said Mr Clinton's chances of winning the Democratic nomination had been "hurt" by the charges of marital infidelity which first surfaced three weeks ago in a supermarket magazine. The tabloid paid the woman who made the charges, a former Arkansas state employee and cabaret singer, and the story was repeated in the national press.

Mr Clinton admitted that he had been unfaithful to his wife Hillary, a fellow Yale law graduate, during their 16-year marriage.

But he denied the specific allegations in a nationwide television interview a week ago and called on the press to show restraint.

Reporters covering the campaign have since been exhorted to "stick to the issues" – a tactic supposedly aimed at avoiding a repeat of the trivia-laden 1988 campaign, but one which in fact helps Mr Clinton, who spews out statistics and five-point plans without missing a beat.

Congressional Democrats, having watched the party lose five of the last six presidential elections, have been unnerved by the charges. They believe that, even if Mr Clinton survives the present fracas in the primaries, he would face a torrid contest against President George Bush's Republicans in November's presidential elections.

Meanwhile, on the Republican side, the latest CNN/Time magazine poll shows Mr Bush's popularity slipping nationwide as well as in the state of New Hampshire, site of the first important primary election for both parties. The president's approval rating stands at 44 per cent, half the level after the Gulf war. In New Hampshire, he stands at 52 per cent, with the number of undecided Republican voters rising.

Iraqi ships find a home at last with the Italian navy

By Robert Graham in Rome

THE Italian navy has bought four frigates originally ordered by Iraq, partly closing the book on one of the most accident-prone deals in the history of Italian defence contracting.

The four Lupo (wolf) class frigates were part of a L3,600bn ($3.02bn) contract for 12 naval vessels won in 1981 by two Italian defence consortia, headed by Fincantieri, the state ship-building group and Oto-Melara, the state guided weapons company.

But only four, worth L300bn, have been handed over to Iraq. Of these a supply ship and a floating dry dock are blocked in Alexandria, Egypt, and two Assad class corvettes are still at the Italian naval base of La Spezia, where the other warships are also docked.

The deal fell foul of both the western arms embargo resulting from the Iran-Iraq war and the allied embargo on Iraq following President Saddam Hussein's invasion of Kuwait in August 1990. Since the invasion the cost of maintaining the four frigates and six corvettes has been L550m a day, over L400m of which has been financial charges.

Iraq made payments of L1,800bn in the hope of unblocking the entire contract. The frigates were "freed" for delivery in 1989 and eventually the two least bellicose vessels were released; but just when it seemed the Italian government would waive its objections to the retention of the offensive vessels, Mr Saddam invaded Kuwait.

The inability to obtain full payment and the high cost of maintenance has weighed heavily on every big defence contractor in Italy, all of which were either directly or indirectly involved in the deal. The Italian navy was pressed to buy up much of the order, but was reported to be reluctant because of lack of funds and because the vessels had been designed to Iraqi navy and Gulf water specifications.

However, with the Andreotti government in its final days, the defence lobby was able to exercise sufficient influence for funds to be made available to the Defence Ministry through 1994 to purchase four frigates.

The remaining eight vessels are out to international tender.

Kraus, Carreras, Domingo and Caballé: to the public, the affair must seem surreal

War breaks out at opera Olympics

The first battle in Barcelona is between tenors, reports **Peter Bruce**

THERE will probably be more of this as Spain's 1992 festivities get under way, but it has fallen to the country's clutch of famous opera stars to deliver the first childish spat of the year.

The Canary Island-born tenor Alfredo Kraus has been threatening to take revenge against his Catalan rival, José Carreras, for being left out of the gathering of opera singers who will open the 1992 summer Olympic Games in Barcelona in July.

Mr Carreras is the artistic director of the event and has apparently declined to invite Mr Kraus to join himself, Madrid-born tenor Placido Domingo and Barcelonan soprano Montserrat Caballé to sing a medley of popular arias to the opening ceremony.

Mr Kraus claims this is because he criticised Mr Carreras, Mr Domingo and the Italian tenor Luciano Pavarotti for singing at the World Cup soccer championship in Italy in 1990.

He intimated at the time that the appearance of the stars debased opera.

Mr Carreras, proclaiming great personal affection and respect for Mr Kraus, has said he left him off the invitation because Mr Kraus had "repeatedly argued against the presence of opera at multitudinous events".

Mr Kraus, never a man to mince words, replied: "José Carreras has done nothing more than perform a hostile act against [me] which amounts to a declaration of war."

Mr Kraus has been able to take an early dig at the Olympic performance by pointing out that it will be recorded and videoed and will merely be mimed at the inauguration. "Play-back has always seemed like fraud to me," he told the Spanish press. "I would obviously ignore José Carreras if I am ever asked to mount anything similar."

This unartistic exchange speaks volumes for the cosseted world in which Spain, with vast amounts of public money spent on opera, wraps up and promotes its operatic treasures. To the general public, who seldom get a chance to see opera before city, regional and national politicians snap up shovelfuls of free tickets, the affair must seem almost surreal.

Ms Caballé has already made her own important contribution to the demystification of local operatic seriousness. While she was sitting with local dignitaries at a theatrical performance in Extremadura not long ago, the floor beneath her gave way, miraculously leaving her uninjured. Footage of the fall was nevertheless played around the country.

Then, earlier this year, she refused to sing at Barcelona's fabulous Liceo opera house until the building's director apologised for suggesting she was not a very good singer. But he has stuck to his guns and, having listened to Ms Caballé's latest record (an adaptation of modern commercial songs), is unlikely to change his mind.

Mr Domingo, himself not above cashing in on popular collections, has so far proved far too smart to get involved in the Olympic debate. He tends to distance himself from the politics of opera in Spain and has, anyway, begun to mutter recently that he finds orchestral direction more interesting than singing.

The other smart man in the spat is Spain's minister for culture, Mr Jordi Sole Tura. Asked what he thought could be done to repair the damage to operatic harmony, he declined to comment. "Its all far too sensitive," he said.

Tietmeyer defends rate rises

By Ian Rodger in Zurich

MR Hans Tietmeyer, vice-president of the German Bundesbank, said at the weekend he could not indicate when a reduction in German interest rates would be possible.

"We will continue to hold monetary expansion within the targets we have set," Mr Tietmeyer said at a press conference at the World Economic Forum in Davos.

He said the decision to raise the Lombard and discount rates on December 19 was not made purely on the basis of the current wage negotiations in Germany.

He noted that the moves had already resulted in a reduction in long-term interest rates, and claimed this was a consequence of markets believing that the German authorities were taking inflationary tendencies seriously. "We have created credibility," he said.

Mr Tietmeyer recognised concern abroad about the interest rate increases, but said Germany was in a special situation. "German economic development is not the same as in other countries. Co-ordination does not mean that we must have the same policies."

Haiti persecution warning

ADVOCATES of refugee rights fear thousands of Haitian boat people forced to return from the US will be persecuted in their home towns and villages, AP reports from Port-au-Prince.

Red Cross officials said the US authorities told them that the Coast Guard cutter carrying the first 150 returnees was expected to dock today.

The cutter Steadfast left Guantanamo Bay Naval Base in Cuba yesterday after a US Supreme Court ruling on Friday cleared the way for the repatriation.

Earlier returning refugees appeared to draw little official interest at the bustling Port-au-Prince seafront, but rights advocates contend that they become targets when they arrive at their homes. They say the Haitian security apparatus functions most effectively at local level.

"Many of those who return will die," said Mr Paul Latortue, a Haitian economist who teaches at the University of Puerto Rico.

The US military has operated a tent city at Guantanamo Bay since the September 30 military coup in Haiti and subsequent trade embargo against the Caribbean nation sent more than 14,000 Haitians fleeing in small boats.

Red Cross workers will give the returnees about $15 (£8.20), some assistance with transport and a food-aid card.

A Miami federal judge's order had barred the US authorities from returning the Haitians until their claims to refugee status were refused. The Supreme Court overturned the order in spite of warnings by rights activists that the Haitians faced harsh repression.

The US State Department had said that the first to go back to Haiti would be about 5,500 refugees deemed ineligible for asylum.

The cases of others remained to be decided.

The US government says that the Haitians are fleeing poverty, not political repression, and therefore do not qualify for asylum.

New horizons await fund managers

THE EUROPEAN MARKET

THE draft EC directive published last November on the freedom of management and investment of pension funds could eventually open up great opportunities for European investment fund managers, writes Barry Riley.

The directive proposes moderating many of the national restrictions which have often required that funds must be invested in certain ways – for instance, with heavy weightings in government bonds, and with severe limits on foreign exposure.

It will also make it possible for portfolio managers to seek pension fund clients freely throughout the EC.

Investment firms are not yet notably excited about the prospect of deregulation. Fund managers are well aware that although the investment directive is inching its way through the bureaucratic machinery in Brussels, a more fundamental directive on cross-border membership of pension schemes failed to survive the preliminary negotiation process last year. The conflicts among pension systems in different EC member states have proved too great to handle in the foreseeable future.

Nevertheless, there are hopes for convergence and harmonisation in the longer term. Last month the French government, previously an ardent exponent of unfunded or pay-as-you-go occupational schemes, which are especially difficult to open up to international membership, unveiled new proposals to develop a more favourable framework for funded schemes in France. These would include both corporate and personal arrangements.

Throughout the EC, but especially in France, Italy and Belgium, an impending demographic crisis is focusing minds. In Italy, for instance, the fertility rate is only 1.3 babies per woman, compared with the figure of 2.1 required to maintain the population.

If the future working generation is going to be much smaller than the retired generation, the prospects for pay-as-you-go pensions – which effectively are recycled social security contributions – must be poor. So there are increasing pressures to encourage supplementary occupational pension funds – the so-called "second pillar" of old age provision – and to allow these to be at least partly invested in still expanding economies overseas.

Although there are already substantial pension funds in the EC, amounting to more than Ecu700bn (£500bn), some 86 per cent of the total is accounted for by the UK and the Netherlands. Funds are insignificant in France and Italy, although paradoxically, outside the EC, there are large pension funds in Switzerland.

Germany has its own "book reserve" method of self-investment backed by state guarantees against bankruptcy risks. It was developed because, in the distant past, more conventional funds in Germany were wiped out by inflation.

> Throughout the EC, an impending demographic crisis is focusing minds

The book reserve system served Germany well in the decades immediately after the war, but it does not allocate capital to where the return is highest in the way that pension funds can when invested through securities markets. On a small scale, Germany has some separately invested pension funds too.

Liberalisation of capital movements is a well-established EC theme and is central to the new pension fund investment directive. At the same time, a new prudential code has been drawn up to ensure that pension fund assets are managed in an appropriate way.

At present there is a variety of national restrictions. The big Dutch public sector fund ABP can only invest 5 per cent abroad, and German funds just 4 per cent – they are subject to life insurance regulations, with in addition a 20 per cent ceiling on equities. In contrast, in the UK, admittedly with a much more inflationary recent history, many pension funds have a commitment of 80 or 90 per cent to equities, and have achieved much better returns.

Government restrictions on investment freedom may have something to do with prudence, but also with the desire to create a captive market for government debt. Similarly, limits on cross-border exposure have been justified by perceived higher risks, for instance of currency fluctuations; but the hidden agenda may be a simple desire to trap portfolio assets within the domestic economy, thus holding down the cost of capital. The EC has been successfully battling against such protectionism for investment by private individuals, but many institutional restrictions remain.

For the moment the directive's prudential guidelines are fairly vague: assets shall be invested in a manner "appropriate to the nature and the duration of the corresponding liabilities".

But funds will be able to hold a minimum of 20 per cent of their portfolios in foreign currency assets, and 40 per cent when their liabilities are linked to future salary levels. Few British pension funds have actually reached this 40 per cent level in practice, although since 1979 they have been free of official restrictions – 25 to 30 per cent is a more common range.

Moreover, member states will not be able to stop their pension funds being invested without limit in Ecu-denominated assets because these will be deemed to match any EC currency. This could provide a boost for Ecu bond issues.

There is also the possibility that European companies might decide to denominate their share capital in Ecus. But first they would have to be permitted by national legislation to draw up their accounts and pay their taxes in Ecus.

Management of such diversified assets will require new skills, and London's global managers in particular will hope to gain from the directive's Article 3, which provides that any pension fund must be permitted to choose a manager established and duly authorised in another member state.

But although City of London investment managers may dream of the days when they could be offered global mandates by streams of French, German and Italian pension funds, for a considerable time into the future these pickings will remain almost non-existent.

NEWS IN BRIEF

Italian elections called for early April

ITALIAN President Francesco Cossiga dissolved parliament yesterday and called general elections on April 5 and 6, Reuter reports from Rome.

He said in a televised speech he had decided to call early elections because the present parliament was "politically exhausted".

Mr Cossiga confirmed that the four-party coalition government, led by Christian Democrat Giulio Andreotti, would remain in office until the new parliament convened.

At the 1987 elections the Christian Democrats won 33.9 per cent of the votes, to 27.4 per cent for the Communist party, now called the Democratic Party of the Left. The Socialists, the Christian Democrats' largest partner in the coalition, polled 12.6 per cent.

Noriega to begin defence

Lawyers for Gen Manuel Antonio Noriega, the former Panamanian leader on trial in Miami on drug trafficking charges, begin their defence today, seven weeks after the prosecution finished its presentation, writes Henry Hamman. The break in the trial came about after the judge, Mr William Hoeveler, underwent open heart surgery.

Major plans Indian visit

Mr John Major, the British prime minister, is to visit India in the autumn, following a meeting with Mr P V Narasimha Rao, his Indian counterpart, at the United Nations summit in New York, writes Alison Smith.

Finland PM's EC proposal

Mr Esko Aho, Finland's prime minister, has said his government ought to apply for membership of the European Community within the next few weeks. This is the first time he has expressed his open approval of taking Finland into the EC, writes Robert Taylor in Stockholm.

Hopes for deal on Efta

European Community foreign ministers are expected to clear the way today for a deal with the European Free Trade Association that would save an accord to create the world's biggest single market, Reuter reports from Brussels.

Labor loses in Tasmania

Australian prime minister Paul Keating yesterday acknowledged that unemployment was a big factor in the defeat of his Labor party in the Tasmanian state election, writes Emilia Tagaza in Canberra. The Liberal party was swept into power, winning 19 seats in Tasmania's 35-seat House of Assembly.

CONTRACTS & TENDERS

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INTERNATIONAL NEWS

Polish economy declines despite private growth

By Anthony Robinson and Christopher Bobinski in Warsaw

THE state-dominated Polish economy declined sharply again last year despite rapid growth in the private sector.

The annual report from the state statistical office (GUS) showed an estimated 8-10 per cent decline in gross domestic product (GDP) and an 8 per cent fall in investment.

It also recorded a near doubling of unemployment to 11.4 per cent of the labour force and sharply lower inflation of 60.4 per cent.

Industry showed the sharpest decline with an 11.9 per cent drop in sales, following a 24 per cent collapse in 1990, while construction lagged 6.8 per cent from a similarly low base and farm output dropped 2 per cent.

In dollar terms, exports grew by 18 per cent from 1990's record level to $14.21bn (£8bn) while imports, boosted partly by higher Soviet oil prices, rose 72 per cent to $14.24bn.

Sharply rising imports eliminated the $3.4bn hard currency surplus which Poland built up in 1990 following the introduction of its stabilisation plan and internal zloty convertibility.

The private sector accounted for 20 per cent of total exports but 46 per cent of imports last year, reflecting the rapid growth in privatised trade and retailing. At the same time output of privatised industry rose 48.6 per cent from a low base while output in the state sector declined 19.5 per cent.

The private sector, outside the already 80 per cent privatised farming area, now employs 25 per cent of the Polish employed labour force against 62 per cent in the state sector. Co-operatives employ the balance.

Rising unemployment and a sharp increase in disability and other pensions, however, reflect a sharp overall contraction in job opportunities. Last year the number of pensioners rose from 7.55m to 8.31m, a form of disguised unemployment which has added to budgetary pressures.

Banker held as US requests extradition

By Christopher Bobinski

POLAND'S commercial banking system has been dealt another blow with the arrest this weekend of Mr David Bogatin, a US citizen of Russian origin, who owns the First Commercial Bank in Lublin. This is one of only seven banks with foreign capital.

The arrest is in connection with extradiction proceedings initiated by the American authorities. They are conducting an investigation into Mr Bogatin's alleged involvement in petroleum tax evasion in the mid-1980s. Mr Bogatin came to Poland three years ago when he established Sunpol, a successful fruit processing business, and later the bank in which he holds 97.5 per cent of the shares. The First Commercial expanded rapidly last year establishing 14 branches, mainly in eastern Poland.

The bank has attracted Zl846bn (£41.5m) but depositors scared by newspaper reports of Mr Bogatin's past difficulties started a run on the bank. Mr Bogatin then managed to bring the situation temporarily under control by personally assuring hundreds of worried clients that their savings were safe.

Last year Poland's banking system was hit by two major banking scandals which led to the arrest of the head of the NBP, the central bank, and charges against other senior officials.

Rescuers gather round the body of a soldier recovered from an avalanche yesterday in the village of Gormec, south-eastern Turkey, Reuter reports from Ankara. More bodies have been found in Kurdish mountain villages swallowed by avalanches, raising to 142 the death toll over the weekend. Some 150 other villagers have been missing after the series of avalanches which have hit south-eastern Turkey since Saturday. The European Community has sent a message to the Turkish government yesterday offering emergency aid for victims of the avalanches.

Rift widens between Milosevic and leaders of Krajina

Serb enclave holds out over UN plan

By Laura Silber in Belgrade

YUGOSLAV and Serbian officials yesterday continued talks with Serb leaders from Croatia to try to salvage the UN peace initiative.

After more than 30 hours of closed-door talks, the Serb-controlled presidency and Serb leaders from throughout the country appeared unable to persuade Mr Milan Babic, head of the self-proclaimed Serbian republic of Krajina, a Serb enclave in southern Croatia, to accept the UN plan to send 10,000 peacekeeping troops to crisis zones in Croatia.

In a sign of the widening rift between Mr Babic and Serbia, under President Slobodan Milosevic, Mr Babic accused the rump Yugoslav presidency of plotting a coup d'état to unseat his government in Krajina.

Diplomats voiced concern that the UN-brokered ceasefire would not hold unless deadlock over the peace plan was broken soon

While Mr Babic's opposition has blocked the Serbian side, Croat leaders have also objected to the UN plan. They insist that the mandate for peacekeepers should not be extended for more than a year, fearing long-term deployment would mean the permanent loss of Krajina to Serbia. The federal army and Serb irregulars currently control about one-third of Croatia. Both sides in the conflict must approve the plan before the UN will deploy troops.

Mr Babic has maintained his opposition to elements of the UN plan, despite threats from the presidency of sanctions on Krajina, a poor, mountainous region. He says the Serb-controlled federal army must remain in Krajina even after peacekeepers are deployed. He insists Serb paramilitary units should not be disarmed unless Croat forces are disbanded.

Western diplomats yesterday expressed fears that the UN-brokered ceasefire would not hold unless the deadlock over the peace plan was broken soon. There were reports of deaths in weekend clashes in Croatia, but the 30-day-old truce yesterday appeared to be holding in most battle zones. Croatian television said two Croatian guardsmen were killed in an ambush near Otocac in western Croatia, on Saturday. Two people were killed when the nearby village of Dabar came under artillery attack, it said.

Croatian radio said yesterday that one person was killed in sporadic shooting near Osijek in eastern Croatia. Tanjug, the Belgrade-based news agency, did not confirm the reports. But it said an officer was badly wounded when a Yugoslav army patrol was attacked near the military airport at Mostar, in southern Bosnia-Hercegovina.

Bonn to raise debt concerns with Kravchuk

By Quentin Peel in Bonn

GROWING concern in Germany over developments in the newly and determinedly independent republic of Ukraine will dominate talks this week when Mr Leonid Kravchuk, the Ukrainian president, pays his first official visit to Bonn.

The refusal of the republic to sign the western-inspired memorandum of understanding on the servicing of the debt of the former Soviet Union is a serious bone of contention in Germany, which is owed by far the largest portion of outstanding debt.

At the same time, Chancellor Helmut Kohl, on whose invitation Mr Kravchuk is coming, has expressed concern at the establishment of new armed forces in the former Soviet republics on a scale which could upset the balance of forces in Europe. On that score, Ukraine is also the most obvious offender.

Mr Kravchuk will meet Mr Theo Waigel, the German finance minister, as well as Mr Kohl, and Mr Richard von Weizsäcker, the German president.

Finance Ministry officials have made it clear Germany will oppose the admission of Ukraine to the International Monetary Fund, until an internationally acceptable agreement is reached on shared repayment of the former Soviet debt. The German government will also refuse to support any new export credit guarantees for contracts with Ukraine until the problem of old debts is resolved, according to the Economics Ministry.

Ukraine has said that it will pay its share of Soviet foreign debt – accepted as 16.37 per cent – independently, but not as part of the joint "memorandum of understanding" signed by eight of the former Soviet republics. Azerbaijan, Uzbekistan and Georgia have also failed to sign.

Another issue for Germany to resolve concerns sites for new housing, financed by Germany for Soviet soldiers returning from the former East Germany.

Much of the housing was to be situated in Ukraine, now establishing its own independent armed forces.

Russia wants the housing contracts transferred to its territory for Russian soldiers who will now return straight home.

On the eve of his visit, Mr Kravchuk made two important gestures to woo the Germans, who would normally be by far his most important partners in Western Europe.

In an interview with the magazine Der Spiegel, he said Ukraine was ready to resettle several hundred thousand Volga Germans – deported to the east by Stalin during the war – in the south of the republic, and in the Crimea.

Iliescu urged to step down

MORE than 5,000 Romanians shouted for the resignation of President Ion Iliescu yesterday during an opposition rally for next month's local elections, Reuter reports from Bucharest.

"Let's stay united and fight against the expiring neo-communists who pushed this country to the brink of collapse," Mr Corneliu Coposu, leader of the opposition National Peasant party, told the indoor rally in Bucharest's Palace Hall.

"Let's fight against corruption and ensure a decent future for Romania," Mr Coposu said, drawing loud cheers and chants of "unity, unity," "down with Iliescu," and "down with communism".

The gathering was staged by the Democratic Convention (DC), an opposition bloc uniting 14 parties.

It was the latest event in its campaign against the ruling National Salvation Front party for the February 9 local polls, Romania's first in half a century. The DC presented its candidates for the posts of Bucharest mayor-general and six mayors of the capital's sub-districts.

Alternative rescue scheme for the failed bank's depositors endorsed

UN group sends BCCI report to Abu Dhabi

By Alan Friedman in New York and Richard Donkin in London

A UNITED NATIONS study group has delivered to Abu Dhabi's rulers a report on the collapse of the Bank of Credit and Commerce International (BCCI) and has endorsed a depositors' rescue scheme prepared by Paine Webber, the New York investment bankers.

The alternative scheme would pay out more than the amount forecast by the liquidators of the collapsed bank.

The 23-page report, prepared by experts working with the UN's Centre on Transnational Corporations, was sent on January 22 to Mr Ahmed Khalifa al Suwaidi, one of the closest advisers of Sheik Zayed bin Sultan al Nahyan, the ruler of Abu Dhabi.

The letter to Mr al Suwaidi, from Mr Kamal Hossain, special adviser to the UN centre, says a rescue plan prepared by Paine Webber for a group of BCCI depositors could "better protect the interests of depositors and indeed those of the shareholders than the way in which the matter is being approached by the liquidators".

The confidential Paine Webber plan, describes the scheme prepared by Touche Ross, the provisional liquidators of BCCI, as "unrealistically conservative". The initial liquidators' plan last November estimated a recovery value on BCCI assets of ten cents per dollar.

Paine Webber's plan calls for a contribution of \$3bn-\$4bn (£1.68bn-£2.24bn) from the Abu Dhabi government, BCCI's majority shareholder.

Mr Peter Hansen, executive director of the UN centre, said the letter to Abu Dhabi was not designed to exert pressure "so much as to make ourselves available". Mr Hansen called for international co-ordination of the BCCI liquidation rather than individual winding up of the collapsed bank in various countries.

The UN report, which has already been circulated among 35 central bank governors, may, however, have arrived too late in Abu Dhabi.

An agreement between the Touche Ross liquidators and Abu Dhabi majority shareholders was said last week to be no more than a "signature away" from completion. The last leg of negotiations on this plan, which is believed to call for a \$2.2bn ceiling on Abu Dhabi's contribution, was expected to take no more than a week.

It was unclear yesterday just how seriously Abu Dhabi is considering the intervention by the UN centre, but the approach was being played down by the liquidators who do not want anything to get in the way of a deal.

S Africa's whites look to a future past

The country's rulers want an influential role in post-apartheid government, writes **Patti Waldmeir**

AS South Africa's new parliamentary session gets under way, there is only one real issue at stake in the debate over the country's new constitution: the role of whites in a post-apartheid government.

Will their share of political power be entrenched in the constitution, or purchased through electoral deals with black political parties? Will they exercise power because the law says they must, or because the black majority finds it impossible to govern without them?

The recent constitutional proposals from the ruling National party – offering general elections for a multiracial interim parliament – have obscured these issues. The Nationalists are offering to scrap the current cabinet and parliament, and to elect a new government in national elections which would include every South African for the first time in history. What they are not offering is to step off the political stage they have dominated for the past 43 years.

The Nationalists' proposals – which were unveiled last December at the multi-party negotiating forum known as the Convention for a Democratic South Africa (Codesa) – are a clever attempt to steal the negotiating initiative from the African National Congress (ANC).

On the face of it, they appear to meet two key ANC demands: for an interim government to replace the current apartheid-tainted administration and for an elected constituent assembly to draw up a permanent constitution. The two would eventually be merged, with the interim parliament drawing up the constitution.

The ANC has so far rejected the Nationalists' proposals, though officials concede privately that they cannot refuse to discuss them without appearing to reject the right to vote – the issue on which the movement has based 80 years of struggle.

The details of the government's offer remain unclear. Indeed, members of the committee charged with drawing up detailed proposals disagree fundamentally over their content.

Members of the right-wing Afrikaner Resistance Movement put on a para-military display at the weekend

What is clear is that Pretoria is for the first time offering an elected interim government, rather than merely black appointments to cabinet and that the Nationalists are no longer insisting that such a government rule for five to 10 years before a permanent constitution takes effect.

Equally clear is that Pretoria will insist on guarantees for the white minority in the proposed interim constitution.

Mr Gerrit Viljoen, minister for constitutional development, has suggested a model based on National party proposals adopted at last year's party congresses, which provide for a presidency which revolves between three to five of the country's top political leaders, and a bicameral legislature, including an upper house where whites have an effective veto. Mr Viljoen hopes this interim model will eventually be adopted as a final constitution.

According to his timetable, an interim constitution would first be negotiated at Codesa, where 19 political groups meet to plan South Africa's political future. That constitution would then be put to a referendum of all races, which the government hopes to hold by year-end.

White votes would be counted separately and, unless whites did not approve, the constitution would be implemented. It would then be passed by parliament, elections would be held, and a new cabinet formed by the middle of next year. The interim parliament would draw up a permanent constitution.

The best-laid plans of the Nationalists seem unlikely to survive the tussle ahead in Codesa, however. Any one of a range of options could emerge.

At one end of the spectrum would be a limited form of interim government, where Pretoria would share power with other parties only to the point of jointly overseeing the run-up to elections. Alternatively, joint control might be established over the security services, the public media, the budget and electoral processes – areas viewed by the ANC as key. Or the Nationalists and the ANC might agree to an interim cabinet with full powers, leaving the current legislature in place.

The shape of an interim parliament is likely to prove even more contentious. The model proposed by Mr Viljoen uses a complex formula to guarantee minority political parties – in practice, whites – a disproportionately large say. This could take years to negotiate. Other officials propose using the current parliament, which includes only whites, Indians and coloureds, as a house of minorities, with veto power over a lower house elected from all races.

Despite the current excellent relations between government and the ANC – whose officials dine, drink and joke together at Codesa – there are many obstacles to agreement. The white referendum, giving whites an effective veto, is condemned by the ANC in public but seems likely to gain eventual acceptance.

But with government insisting on excluding the South African Communist party, the ANC's closest ally, how can agreement be reached on an interim cabinet? How can the gap be bridged between the ANC's one man-one vote parliament and the Nationalists' model?

In the end, the central issue is always how black aspirations for majority rule can be reconciled with white demands for minority safeguards.

The ANC knows that any deal which whites oppose is no deal at all: without white skills, capital and expertise it can run neither the government nor the economy effectively. The threat of white terrorism is also very real.

But the ANC rejects the Nationalist model for consensus government as an attempt to retain white privilege. The Nationalists' argument – that every group must be given an equal say in government to reduce the risk of racial or tribal conflict – is anathema to the ANC with its ideal of non-racialism.

The struggle for real power in South Africa has only just begun.

Abe indicted over Y80m bribe claims

By Stefan Wagstyl in Tokyo

MR Fumio Abe, a former government minister accused of taking bribes, has become the first serving member of the Japanese Diet since the 1970s to be indicted.

The Tokyo District Public Prosecutor's office on Saturday charged Mr Abe with accepting Y80m (£357,000) in bribes from Kyowa, a steel frame manufacturing and property investment company, in return for leaking planning information and lobbying officials on Kyowa's behalf. Mr Goro Moriguchi, a vice-president of Kyowa, was also charged.

The indictments will put renewed pressure on Mr Kiichi Miyazawa, the prime minister, and the ruling Liberal Democratic party. Mr Miyazawa, who counted Mr Abe among his close associates, apologised for the incident and pledged political reform. The prime minister was in New York attending the United Nations Security Council summit.

Newspaper commentaries published over the weekend mostly assessed Mr Miyazawa's performance in the US favourably, including his veiled demand for a permanent Security Council seat for Japan.

But the impact was undercut by the extensive publicity accorded to Mr Abe's indictment.

The last serving Diet members to be indicted were Mr Kakuei Tanaka, the former prime minister, and two others who were charged in 1976 for their roles in the Lockheed scandal.

They were accused of taking money from the US group in return for approving orders for planes.

US bank to advise on HK airport funding

By Simon Holberton in Hong Kong

DIFFICULTIES in attracting a suitable finance director have prompted Hong Kong's Provisional Airport Authority (PAA) to appoint a US commercial bank as a surrogate for the initial financing for the HK\$43.6bn (£3.1bn) airport scheme.

The PAA is expected to select J P Morgan to advise on key aspects of the authority's "financial operations".

The PAA declined to say what J P Morgan's brief would entail but it is understood the bank has signed a short-term contract to provide wide-ranging financial advice to the authority until a finance director is recruited. The terms of J P Morgan's contract will be reconsidered after the appointment of the director.

Mr Richard Allen, PAA's chief executive, flew to London over the weekend to interview candidates for the job. There is some urgency as construction of the airport – part of a HK\$98.6bn transportation project – is running to a tight schedule and the authority needs a top financial expert in house.

The authority has to decide by May on the successful candidate for site reclamation and preparation of the 1,248-hectare airport. "We have got to get off running in the next month or so," said one senior executive.

Until recently Wardley, the merchant banking arm of the Hongkong and Shanghai Bank, was thought to be the likely winner of the PAA's finance mandate. But the authority felt that the bank, the Hong Kong government's overall financial adviser for the airport project, lacked independence.

Plan for ninth container terminal opposed

THE Hong Kong government has announced plans to build the colony's ninth container terminal, which its hopes will be completed by 1995, writes Simon Holberton.

The decision, although expected, has raised complaints from local residents, environmentalists and politicians over the effect it will have on the quality of life for those living nearby.

Hong Kong houses the world's second largest container port. Rapid industrialisation in southern China has boosted container throughput, which grew last year by 20 per cent, exceeding 6m TEUs (20-foot equivalent units) for the first time.

An eighth container terminal is currently under construction and is due to open in August 1993.

This and the ninth terminal will each have a capacity of 1.6m TEUs.

The site chosen for the terminal, on Tsing Yi island, faces existing container port facilities across the Rambler Channel. Two Hong Kong companies – Hutchison and Wharf – dominate the port.

Mrs Anson Chan, secretary for economic services, said yesterday she favoured greater competition among providers of port services. She would not comment on reports that the Taiwanese group Evergreen and Jardine Matheson, the Hong Kong-based trading group, were separately considering bids to operate the ninth terminal.

Sikh militants adopt hard line on Punjab elections

By K K Sharma in New Delhi

NOMINATIONS for the first state elections in Punjab for several years closed at the weekend with 1,216 candidates contesting.

Notably absent from the list were Sikh militants, boycotting the February 19 election in the Indian state despite reports that they would be standing.

Mr Gurbachan Singh Manochahal, the militants' leader, said yesterday the boycott would strengthen the cause of Khalistan, the independent Sikh nation the militants are fighting for.

New Delhi has poured fresh troops into Punjab to prevent disruption of the polls.

The main parties contesting the elections are Congress, Bharatiya Janata, Janata Dal and Communists. But without the dominant factions of the Akali Dal, the Sikhs' main political party,

the election will not reflect the political will of the Punjabi people. The Akali Dal formed the last popular government elected in Punjab nearly five years ago.

Last June authorities cancelled elections a day before they were due to be held after militants killed 26 candidates in the run-up to polling, despite the presence of 250,000 security personnel in the state.

Under Indian laws prevailing then, an election was cancelled if a candidate died before polling began. Last month the government amended the law, making it only applicable to candidates from recognised political parties. Most of those killed in the June violence were independents.

At least 5,700 people, most of them Sikhs, were killed in violence in the state in 1991. Nearly 4,000 people were killed in 1990, double the previous year's total.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	−174.2	−160.5	0.7623	100.0
1986	230.9	−140.6	−147.8	0.9836	80.2
1987	220.2	−131.8	−138.8	1.1541	70.3
1988	272.5	−100.2	−106.7	1.1833	66.0
1989	330.2	−99.3	−96.5	1.1017	69.4
1990	306.8	−79.8	−72.3	1.2745	65.1
1991				1.2392	64.5
1st qtr.1991	75.7	−12.6	7.8	1.3434	61.8
2nd qtr.1991	89.3	−11.0	2.6	1.1849	66.4
3rd qtr.1991	89.5	−16.6	−8.9	1.1724	66.5
4th qtr.1991				1.2561	63.3
January 1991	25.1	−5.4	n.a.	1.3625	61.2
February	24.2	−4.0	n.a.	1.3898	60.2
March	26.6	−3.2	n.a.	1.2779	63.9
April	29.5	−3.7	n.a.	1.2092	65.6
May	29.6	−4.0	n.a.	1.1925	66.0
June	30.3	−3.3	n.a.	1.1530	67.6
July	30.6	−5.2	n.a.	1.1506	67.6
August	29.2	−5.5	n.a.	1.1763	66.6
September	29.7	−5.8	n.a.	1.1902	65.3
October	30.7	−5.6	n.a.	1.2095	64.6
November	29.8	−2.8	n.a.	1.2568	63.2
December			n.a.	1.3021	62.0

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	230.8	76.0	64.5	180.50	100.0
1986	211.1	96.2	86.9	165.11	124.4
1987	197.3	86.1	75.4	166.58	133.2
1988	219.8	80.7	66.6	151.51	147.3
1989	245.3	70.5	52.4	151.87	141.9
1990	219.9	49.6	28.1	183.94	126.0
1991	247.5	83.1	62.5	166.45	137.0
1st qtr.1991	58.3	17.2	13.2	179.59	132.1
2nd qtr.1991	61.0	19.5	15.9	163.84	135.9
3rd qtr.1991	65.5	23.5	16.5	159.83	138.5
4th qtr.1991	63.1	23.3	17.1	162.55	141.2
January 1991	18.8	5.3	2.9	182.11	131.1
February	18.4	5.3	4.2	181.23	133.2
March	21.2	6.7	6.2	175.44	132.0
April	18.7	6.5	6.4	165.80	135.7
May	20.9	5.9	4.9	164.82	135.4
June	21.5	7.1	4.5	160.88	136.6
July	21.4	7.2	4.1	158.50	138.8
August	21.7	8.2	6.0	160.93	138.2
September	22.3	8.1	6.4	160.05	138.7
October	22.0	8.0	5.3	157.94	142.4
November	21.0	7.2	5.8	162.99	140.9
December	20.2	8.1	6.0	166.73	140.2

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	*242.8*	*33.3*	*21.7*	*2.2259*	*100.0*
1986	*248.6*	*53.5*	*40.3*	*2.1279*	*108.8*
1987	*254.2*	*56.7*	*39.8*	*2.0712*	*115.3*
1988	*272.6*	*61.6*	*42.8*	*2.0739*	*114.6*
1989	*310.2*	*65.2*	*52.0*	*2.0681*	*113.5*
1990	324.6	51.7	37.7	2.0537	119.1
1991				2.0485	117.7
1st qtr.1991	81.3	2.9	−4.5	2.0561	119.8
2nd qtr.1991	78.5	−0.5	−5.2	2.0557	116.2
3rd qtr.1991	83.7	2.4	−5.3	2.0417	116.5
4th qtr.1991				2.0406	118.5
January 1991	27.6	0.2	−1.0	2.0660	120.2
February	26.7	1.4	−0.7	2.0567	120.7
March	27.0	1.3	−2.8	2.0555	118.6
April	25.2	0.5	−1.3	2.0606	116.4
May	27.2	−0.8	−2.2	2.0524	116.3
June	26.0	−0.2	−1.8	2.0541	115.8
July	27.6	−0.0	−2.8	2.0523	115.8
August	28.9	2.1	−1.5	2.0518	116.5
September	27.3	0.2	−0.9	2.0209	117.1
October	27.3	1.5	−1.5	2.0440	117.1
November	29.0	1.9	0.8	2.0413	118.6
December				2.0366	119.9

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	−4.5	−0.2	6.7941	100.0
1986	127.1	−0.1	3.0	6.7946	102.8
1987	128.3	−4.6	−3.7	6.9267	103.0
1988	141.6	−4.7	−3.4	7.0354	100.8
1989	162.9	−6.4	−3.6	7.0169	99.8
1990	170.1	−7.2	−7.4	6.9202	104.8
1991	175.2	−4.4		6.9657	102.7
1st qtr.1991	42.4	−2.0	−3.0	6.9936	104.3
2nd qtr.1991	43.2	−1.2	−1.4	6.9619	102.0
3rd qtr.1991	44.9	−1.6	−0.1	6.9392	101.8
4th qtr.1991	44.8	0.4		6.9682	102.8
January 1991	14.5	−1.00	−0.48	6.9846	104.7
February	13.9	−0.46	−1.65	7.0008	104.8
March	13.9	−0.65	−0.86	6.9954	103.2
April	14.7	−0.27	−0.67	6.9611	102.4
May	14.2	−0.29	0.26	6.9566	102.0
June	14.3	−0.55	−0.43	6.9680	101.5
July	15.2	−0.57	−0.20	6.9673	101.4
August	14.5	−0.60	0.43	6.9725	101.8
September	15.2	−0.45	−0.38	6.8778	102.2
October	15.8	0.95	1.23	6.9685	101.9
November	15.0	0.05	0.14	6.9762	102.8
December	14.0	−0.63		6.9598	103.7

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	−16.0	−5.4	1443.0	100.0
1986	99.4	−2.5	−1.4	1461.6	101.4
1987	100.7	−7.5	−2.1	1494.3	101.2
1988	108.3	−8.9	−8.0	1536.8	97.8
1989	127.8	−11.3	−17.0	1509.2	98.6
1990	133.6	−9.3	−18.9	1523.2	100.6
1991				1531.4	98.9
1st qtr.1991	32.4	−4.2	−6.0	1540.7	100.1
2nd qtr.1991	35.5	−3.4	−5.8	1525.2	98.6
3rd qtr.1991	31.9	−1.7	−5.5	1524.3	98.1
4th qtr.1991				1535.5	98.8
January 1991	9.9	−3.2	−3.4	1545.7	100.0
February	11.3	−0.6	−2.6	1543.3	100.5
March	11.1	−0.4	−1.9	1533.2	99.8
April	11.4	−1.5	−2.7	1526.4	98.9
May	11.3	−2.1	−0.8	1522.7	98.7
June	12.7	0.3	−2.4	1526.5	98.2
July	13.2	0.1	−2.2	1528.8	97.9
August	7.5	0.2	−0.4	1533.7	98.0
September	11.2	−2.0	−2.8	1510.5	98.5
October	13.1	−0.9	−2.6	1528.1	98.5
November	11.1	−1.6	−2.5	1537.6	98.7
December				1540.7	99.1

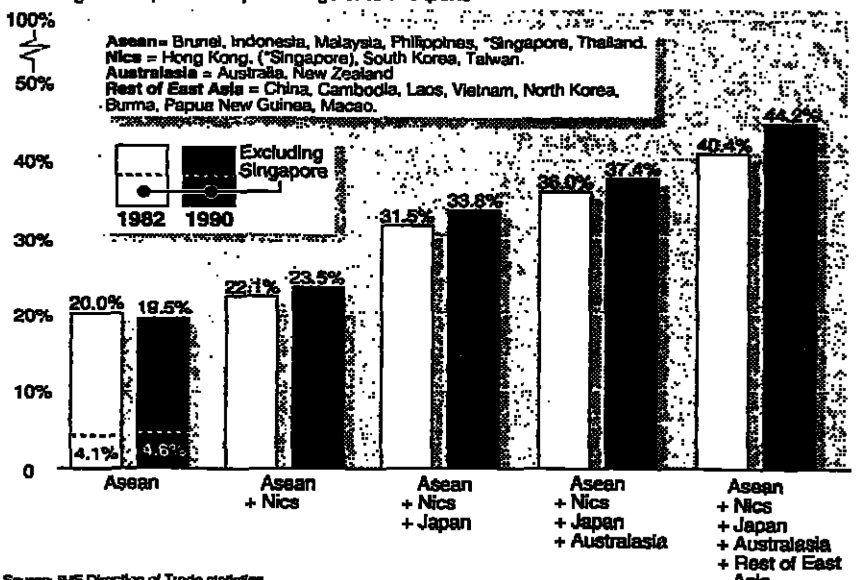
UNITED KINGDOM

Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	
132.4	−5.7	4.7	0.5891	100.0	1985
108.3	−14.2	−0.3	0.6708	91.5	1986
112.3	−16.4	−5.9	0.7047	90.1	1987
120.9	−32.5	−23.4	0.6643	95.5	1988
137.3	−36.6	−30.3	0.6728	92.6	1989
142.7	−26.1	−20.1	0.7150	91.3	1990
148.3	−14.2	−8.1	0.7003	91.7	1991
35.5	−4.3	−3.7	0.7039	93.8	1st qtr.1991
37.6	−3.1	−0.2	0.6942	91.4	2nd qtr.1991
38.0	−3.4	−1.9	0.6954	90.7	3rd qtr.1991
37.2	−3.5	−2.2	0.7076	90.0	4th qtr.1991
11.7	−1.9	−1.72	0.7042	94.1	1991 January
11.7	−1.1	−0.90	0.7070	94.3	February
12.0	−1.2	−1.11	0.7005	92.9	March
12.2	−1.2	−0.28	0.6918	92.3	April
12.3	−1.3	−0.37	0.6925	91.7	May
13.0	−0.5	0.43	0.6984	90.2	June
12.7	−0.9	−0.41	0.6962	90.3	July
12.9	−1.2	−0.71	0.6990	90.7	August
12.4	−1.3	−0.80	0.6908	91.0	September
12.3	−1.2	−0.81	0.7021	90.5	October
12.3	−1.3	−0.89	0.7076	91.0	November
12.6	−1.0	−0.54	0.7132	91.2	December

All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (*free on board*) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

Intra-regional trade in East Asia & Australasia

Intra-regional exports as a percentage of total exports



Source: IMF Direction of Trade statistics

Building trade blocs in east Asia and the Pacific

THE REGIONAL trade bloc bug is spreading around the globe. The success of the European Community in generating internal trade between its members has encouraged the emergence of new free-trade zones in north and south America, while Efta and the EC are set to create a wider European Economic Area (EEA). Last week the bandwagon reached east Asia. The six members of the Association of South-east Asian Nations (Asean) have agreed to establish an Asean free-trade area within 15 years, thereby inventing a new acronym: Afta.

Yet the Afta agreement, unlike the EEA or Nafta (North American free-trade area), has been greeted with considerable scepticism. It is not difficult to see why. Lower tariffs will apply only to manufactures and processed agricultural goods and can be dodged if a product is deemed "sensitive" or the industry needs protecting as an "emergency measure". The Asean members do not, in fact, have a compelling reason to put internal trade links before their external interests. More than 80 per cent of Asean exports went to non-Asean countries in 1990, as the chart shows. Moreover if Singapore, which re-exports many of its imports, is excluded, the share of intra-Asean exports in total exports falls to just 4.6 per cent, against 61 per cent for the intra-regional trade of EC members.

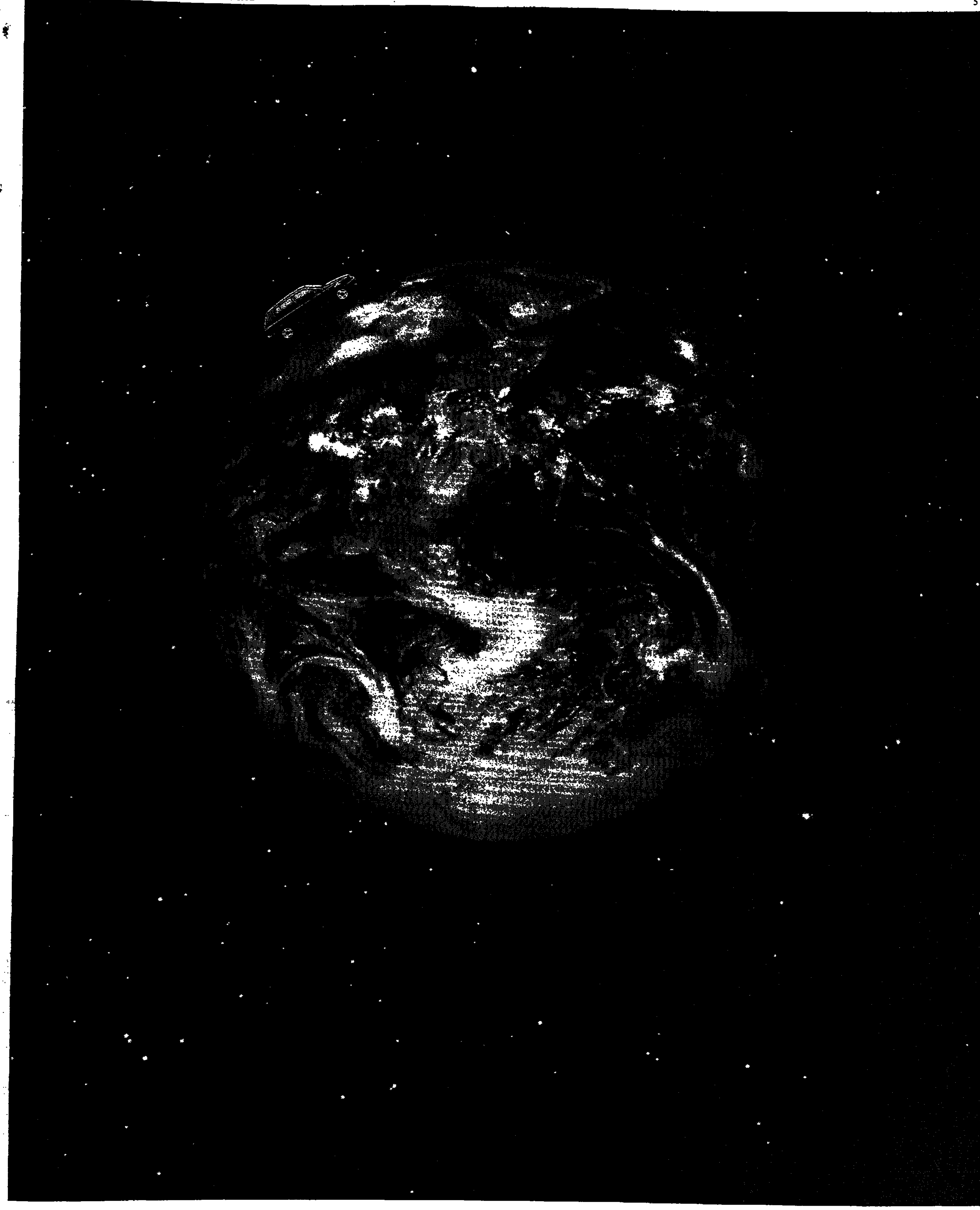
The Afta agreement is less a reflection of regional self-interest than a product of Asean fears that they will be excluded from the benefits of global free trade and foreign direct investment. They suspect that developed countries are more concerned with safeguarding their regional trading interests than the multilateral trading system. The EEA will further raise the proportion of intra-bloc trade in Europe, the combined EC and Efta share being 68 per cent in 1990. Little wonder that the EC appears more interested in completing the internal market than bringing the Uruguay Round of Gatt negotiations to a successful conclusion. Afta is the right response, argued President Corazon Aquino of the Philippines, to a world which "adopts economic exclusion and attrition as a new strategy of national defence".

Yet Asean's modest weight in world trade means it has little negotiating clout alongside the EC. One option is to expand the free-trade area into an East Asian Economic Group (EAEG), including Japan and the three remaining newly industrialised countries (Nics) – South Korea, Hong Kong and Taiwan. This idea has been championed, with little success, by the Malaysian premier, Dr Mahathir Mohamad. Many potential members, especially Japan, cannot afford to upset the US, which remains opposed to any east Asian free-trade zone. The US has instead backed the toothless Asia Pacific Economic Co-operation group (Apec), a 15-member forum which includes Australia, New Zealand and China.

The share of intra-regional trade within the total EAEG trade was, in fact, a relatively low 33.8 per cent in 1990. But growing economic ties within east Asia, and the emergence of fledgling market economies, are increasing the proportion of intra-Asian trade. Foreign investment and market structures in Guangdong and Fujian in southern China have caused China's exports to more than double since 1982, of which 60 per cent go to other east Asian countries. China, Taiwan and Hong Kong have all joined Apec within the last year, while Vietnam and Laos are queueing to join Asean. Adding in Australasia, China and the remaining east Asian countries to the EAEG increases the proportion of intra-regional trade to 44.2 per cent, higher than the 41.5 per cent of total US, Canadian and Mexican exports that were traded within the proposed Nafta in 1990.

That both Nafta and the largest possible east Asian free-trade zone still rely on external trade for more than half their total trade suggests that neither has an interest in undermining the multilateral trading system. But Apec could offer an alternative route to trade dynamism if Europe becomes overtly protectionist or simply loses interest in global free trade. Combining the 23 Nafta, east Asian and Australasian countries into one Asia-Pacific bloc boosts their intra-regional trade ratio to 69.4 per cent in 1990, exceeding that of the EC and Efta combined.

Edward Balls



UK NEWS

TECHNOLOGY AND INDUSTRY

Group calls for new tier of institutions

By Daniel Green

BRITAIN should promote a new tier of technological research institutions, modelled on German lines, to act as a bridge between universities and industry, a report says.

As part of an attempt to improve UK industry's use of technical expertise, the interim report prepared by the Working Group on Innovation, an independent initiative set up last year, also proposes a Faraday City award, similar to the European City of Culture label.

The report, due to be sent to party leaders this week, was written by Sir John Fairclough, former chief scientific adviser to the Cabinet Office and now chairman of the Engineering Council, an umbrella body for 46 professional institutions.

It says existing independent research and development companies, which pay their way by doing contract work for industry, should be given a higher public profile, copying the German Fraunhofer Institutes. They would then receive some public funding and be encouraged to take on higher degree students.

The idea is that this would bridge the gap between industry, which rarely sees academia as a source of fruitful new ideas, and scientists who fail to exploit fully their ideas in the private sector.

The Association of Independent Research and Technology Organisations represents many of the companies that could fall into this category. Its members employ 10,000 staff, more than half of them scientists or engineers. They turn over more than £300m a year, representing more contract research than UK universities and polytechnics combined.

By upgrading these companies, the expense of building new institutions from scratch would be avoided.

At a local level, the Faraday City tag would concentrate advice and facilities for industrial research and development on one city for a year or two.

The models for this plan, the Fraunhofer Institutes, are permanent bodies. Their success is measured by revenues they generate from industrial contracts. At the same time, they have close links with universities. The managing director of a Fraunhofer Institute usually has a chair at a university and the labs are on campus.

Institute employees often regard themselves in transition from academia to industry. Such a bridge does not exist in the UK, according to the Centre for the Exploitation of Science and Technology, a UK industry and state-funded research organisation also chaired by Sir John Fairclough.

The Working Group on Innovation was established last year.

BAe struggles to fill chairman's post

By Charles Leadbeater and Paul Betts

SIR Graham Day, the interim chairman of British Aerospace, is engaged in an increasingly difficult search for a full time successor after his favoured candidate Sir Christopher Hogg, the chairman of Courtaulds, turned down the post.

Sir Christopher, widely regarded as one of Britain's most able industrialists, was first asked whether he was interested in the job in the days after Professor Sir Roland Smith was forced out as chairman last September.

Sir Christopher, who is increasingly absorbed by his chairmanship of Reuters, the financial information services group, has told Sir Graham that he is not interested in the job.

His decision is a severe setback for BAe as Sir Christopher's stature and track record would have been welcomed by the City and by the company's industrial partners.

In the 1980s he oversaw the rationalisation of Courtaulds' sprawling chemicals and textiles empire and its eventual demerger into two companies, Courtaulds, a speciality chemicals producer, and Courtaulds Textiles. Many City fund managers and analysts believe that similar radical surgery is required at BAe.

BAe's senior management has been increasingly beleaguered since the autumn when a profits warning was followed by a mishandled emergency rights issue. The company's standing with City institutions fell further last month when the company was forced to disclose that Mr Dudley Eustace, its finance director, would be leaving the company in the spring.

Sir Graham is still hoping to announce the appointment of a new full time chairman and a replacement finance director around the time of the company's annual meeting in late April or early May.

City analysts and fund managers would prefer a chairman with a sound commercial and industrial background rather than an aerospace specialist. Many feel an outsider would have a clearer picture of BAe's strengths and weaknesses.

After Sir Christopher's rejection, attention is likely to focus on Sir James Blyth, a non-executive director of BAe and chairman of Boots, the chemists. Sir James is a former head of export sales at the Ministry of Defence.

Cuts in defence budget may benefit Anglo-French radar project

BRITISH Aerospace, struggling for new contracts to sustain its guided weapons business, is trying to persuade the Ministry of Defence to buy an aircraft missile that has so far been developed as an export-only product, writes David White. It is aiming to take advantage of cost-cutting measures in the defence budget, which have prevented the RAF from upgrading its Tornado F3 air-defence fighters to take the latest US Amraam medium-range missile. Fitting Amraam missiles would have required changes to the aircraft's radar system. BAe submitted an unsolicited bid on Friday to equip Tornado F3s instead with the Active Sky Flash, developed jointly with Thomson-CSF, French electronics group.

Consumer law proposals attacked

By Robert Rice, Legal Correspondent

THE Confederation of British Industry yesterday warned that a proposed European consumer law directive would result in rising insurance costs for business and a field day for litigants and lawyers.

The directive, which forms part of the European Commission's three-year consumer law programme, would reverse the burden of proof in negligence claims by consumers against suppliers of services. Suppliers would have to prove they were not at fault to avoid paying compensation.

All services except medical and construction would be covered by the directive. Miss Judith Vincent, head of the confederation's law group, said the CBI would fight its implementation.

Miss Vincent said: "If, for example, there is a car accident when the car has just been to the garage for a service, the garage would have to prove that it carried out the service correctly."

The result of such a burden on service businesses would be a less competitive economy caused by potentially vast legal fees and higher insurance costs, she warned.

The CBI believes the commission has not demonstrated the need for the directive.

It says services are not the same as products and liability for them should not be treated in the same way. Products are distributed widely from the point of production to people with no contract with the supplier, whereas services are subject to a contractual relationship between supplier and end-user.

The CBI urges the commission to:

- Assess the directive's impact on the costs to business.
- Place a limit on claims – without one, liability under the directive may prove to be uninsurable.
- Restrict liability claims to customers and prohibit those from third parties.

TUC calls for creation of ½m jobs in Budget

By Daniel Green

THE TRADES Union Congress has called on Mr Norman Lamont, chancellor of the exchequer, to spend £3.8bn more on reducing unemployment in his Budget on March 10.

The TUC's proposals, published today, press for the creation of 500,000 jobs and extra places on training schemes.

They also call for tax changes to help industry, suggesting that capital allowances be increased from 25 per cent to between 40 per cent and 50 per cent. That would be a "counter-cyclical measure" to be paid for partly by the abolition of the Business Expansion Scheme (BES).

In its submission, the TUC outlines a spending programme consisting of:

- £2bn for public projects such as housing, schools, hospitals and transport.
- £1bn for training, education and a temporary work programme aimed at the long-term jobless.
- £800m for a return to earnings-related unemployment benefits and a range of incentives for the jobless to take up work, including loans to assist with paying for transport and clothing.

Mr Norman Willis, general secretary of the TUC, said the country needed a budget for industry on March 10, not "election bribery".

Mr Rodney Bickerstaffe, chairman of the TUC's economic committee, urged the chancellor to listen to what unions and employers were telling him.

He said: "The country is crying out for more jobs, more investment and better public services, not quick-fix tax cuts."

- NALGO, the public-services union, increased its membership by more than 15,000 in the last year against a background of declining member rolls suffered by most unions. Membership stands at 759,735, an increase of 15,282 on last year. That is slightly more than in 1987, since when numbers had declined until this year.

Civic honours promote status of Derby

But leaves it wondering what else being a city confers writes Emma Tucker

Inside the mayor of Derby's stately office a heavy red box conceals a much-coveted document.

It declares that Derby "shall henceforth have the status of a city and shall have all such rank, liberties, privileges, and immunities as are incident to a city".

"We still haven't worked out what those are," shrugs Mr Philip O'Brian, the mayor's secretary, even though it was granted nearly five years ago.

That was when the Queen *last granted civic honours to a* town – but city status is apparently not all it once was.

Other UK cities queueing up for the privilege on the eve of the fortieth anniversary of the Queen's ascension to the throne may find the granting of a royal charter an anti-climax.

There was a time, in medieval England, when a charter gave legal independence and some degree of self government. Previous charters awarded to Derby gave the town market rights (1154), power to appoint a bailiff and a monopoly in wool dyeing (1204), and power to appoint a coroner (1256).

The 1977 charter transforming Derby Town into Derby City gave them no real powers.

That's not to say the inhabitants are indifferent to their enhanced status. Councillors, and those working in its prosperous business community, fall over themselves to tell you what city status has done. National athletics events and party political conferences have taken place in Derby City they boast.

City status has helped Derby win greater national prestige

Derby does, however, have enough cinema screens to shame any seaside resort, town or city. Two multiplex cinemas centres have given it Derby a total of 20 screens for a population of just one quarter of a million.

One thing though is certain: city status has helped Derby's attempts to escape from under the shadow of Nottingham – its big brother 15 miles away.

What is more it has given the once city-less county of Derbyshire a city.

Mr Nick Brown, Conservative leader of the council, believes the title has given the town better economic standing. "What it has done more than anything is give us more status in economic development and relocation terms," he says.

In 1993 the prison service will relocate to Derby generating about 800 jobs locally. Toyota, the Japanese car manufacturer is soon to open a plant there. Derby's status, says Mr Brown, was probably not very significant, but he adds that the Japanese are very conscious of history and culture.

Next door, back in the mayor's office, another title is at stake. Derby felt just a little short changed by her Majesty in 1977 when they discovered that city status did not include *Lord Mayor status.*

So this year Derby is applying for the title which if granted, would apparently involve little more than altering Mr Mayor's headed note paper – the title does not bestow a grander chain or even furrier robes.

"It is a name but it means a lot to us really," says Mr John Keith the current mayor. "Derby is the largest populated city that hasn't got a Lord Mayor. To be honest I get called Lord Mayor now."

While the Europeans might not make much of the permutations of mayoral status, Mr O'Brian says the title of city helps when talking to Europeans. "City gives the impression of infrastructure," he says.

THE WEEK AHEAD

ECONOMICS

Focus turns to German and US labour market issues

DEVELOPMENTS in the US and Germany will be the focus of attention this week.

In Germany the main concern remains the outcome of the pay round after steel workers voted in favour of industrial action. Growth in west German employment has slowed in recent months reflecting the weakening German economy.

In the US, the labour market figures are likely to reflect further weakness in the economy. The Federal Open Market Committee meeting tomorrow will be watched for signs of further easing by monetary authorities.

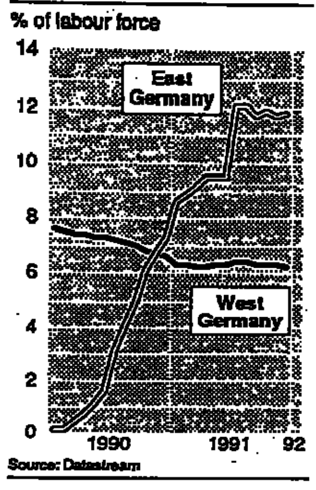
Highlights of the week ahead, with the median of city forecasts in brackets from MMS International, a financial information company, include:

Today: US, January National Association of Purchasing Managers index (47 per cent), construction spending in December (up 0.4 per cent). Japan, January forex reserves. Australia, December current account (-A$1.3bn, seasonally adjusted, -A$1bn, non seasonally adjusted), December building approvals, (up 3 per cent). Canada, November leading indicator (up 0.3 per cent). Asia, Lunar New Year Holiday – Hong Kong closed 4-6 February, Taiwan markets closed 3-6, South Korea markets closed 3-5.

Tomorrow: US, auto sales January 21-31, Federal Open Market Committee meets, Greenspan testifies before House Budget Committee. UK, January official reserves (-$200m).

Unemployment rate

% of labour force



Source: Datastream

New Zealand, third quarter real GDP index. Germany, IG Metall union sets final wage demand.

Wednesday: US, fourth quarter preliminary productivity. Germany, West, January unemployment (flat), seasonally adjusted December employment (up 10,000), January vacancies (up 2,000), East, January unemployment, January short-time workers. Canada, January foreign reserves.

Thursday: US, December factory goods orders (down 2.5 per cent), factory shipments, initial claims for week ended January 25 (450,000), M1 ($5.3bn), M2 ($6bn), M3 ($8bn), for week ended January 27, Treasury Secretary Nicholas Brady testifies before Senate Budget Committee. Germany, regular Bundesbank council meeting. Canada, November wages and salaries (up 0.2 per cent), New Zealand, Waitangi Day holiday, markets closed.

Friday: US, January civilian unemployment rate (7.1 per cent), January non-farm payrolls (up 40,000), January manufacturing payrolls (down 25,000), January hourly earnings (up 0.2 per cent), January average work week, December consumer credit ($0bn), December 17 FOMC minutes released. Canada, January unemployment rate (10.3 per cent), January employment growth (down 0.1 per cent).

During the week: Germany, December industrial production (down 0.5 per cent), December manufacturing output (down 0.3 per cent), December manufacturing orders (down 0.1 per cent), December trade balance (DM3bn), December current account (DM1bn), final figures for January cost of living (up 0.5 per cent on month, 4 per cent on year). Switzerland, January consumer price index (up 0.5 per cent on month, 4.9 per cent on year). France, December M3 (up 0.6 per cent). Italy, January consumer price index (up 0.7 per cent on month, 6 per cent on year). Netherlands, January consumer price index (flat on month, up 4.4 per cent on year). Sweden January unemployment rate. Denmark, December trade balance excluding ships (DKr3.5bn). Australia, December money supply data.

Emma Tucker

RESULTS DUE

NEWSAGENT and retailer John Menzies comes out with interims today expected to show pre-tax profits of about £3m. This is good or bad, depending on how you look at it. Last year's £4.2m profit was depressed by exceptionals of £4m due to the losses at Hammicks.

This year, there should be no exceptionals and proof will have to be shown that Hammicks losses have been stopped. Analysts will also want to hear about Menzies' Christmas trade after after W.H. Smith's encouraging news this past week.

Last but not least, some idea should be given on the fate in the US of the Early Learning Centres, the supplier of books and toys to young children.

Forecasts for the year ended April 30, bolstered by Christmas turnover, run between £27.5m and £29.5m against £21.5m a year earlier.

A modest 15 per cent growth in pre-tax profits to around I£30m is being predicted for Fyffes' year-end results due tomorrow. Market analysts believe that the Dublin-based fruit and vegetable wholesaling group has had a reasonable year, despite the recession in the UK market.

Although banana sales may have been down, there has been buoyant growth in other fresh produce sales.

The market continues to hold expectations of a link-up with a distributor in continental Europe to expand the group's operations, and the company's share price has risen substantially in recent months.

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Clarke Foods, Savoy Hotel, The Strand, W.C., 10.00
Cronite, Painters' Hall, 9, Little Trinity Lane, E.C., 12.00
BOARD MEETINGS:
Finals:
Craton Lodge & Knight
Drayton Far Eastern
Ramsdens (Harry)
Securiguard
Updown Inv.
Interims:
Black (Peter)
CRT
Menzies (John)
Seacon
West Trust

■ TOMORROW
COMPANY MEETINGS:
Sidlaw, Stakis Earl Grey Hotel, Dundee, 12.00
BOARD MEETINGS:
Finals:
Fyffes
Printech Intl.
Interims:
Heritage

■ WEDNESDAY FEBRUARY 5
COMPANY MEETINGS:
Greenwich Resources, Colwall Park Hotel, Colwall, Malvern, Worcestershire, 1.00
BOARD MEETINGS:
Finals:
East German Inv. Tst.
Interims:
British Thornton
Hambro Currency Fund
Helton Hldgs.

■ THURSDAY FEBRUARY 6
COMPANY MEETINGS:
API, Holiday Inn Crowne Plaza, Midland Hotel, Peter Street, Manchester, 12.30
Compass, Queens Wharf, Queen Caroline Street, W., 3.00
Dobson Park Inds., Ironmongers' Hall, Shaftesbury Place, Barbican, E.C., 10.30
BOARD MEETINGS:
Finals:
P & P
Interims:
Jersey Phoenix Tst.

■ FRIDAY FEBRUARY 7
COMPANY MEETINGS:
Eldridge Pope, Dorchester Brewery, Weymouth Avenue, Dorchester, Dorset, 12.00
Greenalls, Belfry Hotel, Wishaw, North Warwickshire, 12.00
Tunstall, Whitley Lodge, Whitley Bridge, Yorkshire, 12.00
BOARD MEETINGS:
Finals:
Scot. American Inv.
Interims:
Independent Inv.

Company meetings are AGMs unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Aberdeen Gas Anns. 12.5p
Ashley 1.2p
BOC 11p
Bogod 0.1p
Do. A 0.2p
CALA 4pc Pf. 1.4p
Clayhithe 0.75p
Cooper (F) 2.5p
Fleming Merc. 1.6p
Harris (P) 2p
Henderson Highland 1.4p
Johnson Matthey 3p
Monks Inv. Tst. 2p
Moorgate Inv. Tst. 1.7p
NYNEX 114cts
Southwestern Bell 71cts
Tinsley (Eliza) 1.8p
Torchmark 40cts
Total Systems 0.75p
Treasury $8\frac{1}{2}$pc 1994 $4\frac{1}{4}$pc
US West 52cts
Vaux 6.1p

■ TOMORROW
Cons. Co Bullfontein 0.87154p
Continuous Stationery 0.8p
De Beers Cons. Mines 40pc Pf (Reg) 19.36772p
Do. (Br) 19.36772p
Do. 8pc 2nd Pf. 0.7747p
Griqualand West Diamond 4.06722p
Pegasus 8.8p
Plysu 1.65p
Randfontein Ests. 25cts

■ WEDNESDAY FEBRUARY 5
Cohen (A) 6.6p
Do. A 6.6p
Deelkraal Gold 15cts
Driefontein 65cts
Equity Consort 11.0625p
Do. Dfd. 13.125p
Gold Fields Coal 60cts
JLI 1.5p
Jersey Electricity A 24p
Kloof Gold 40cts
New Zealand Inv. Tst. 0.6p
Readicut 0.63p

■ THURSDAY FEBRUARY 6
Boots 4.3p
Grindlays Eurofinance Gtd. Fltg. Rate Nts. 1994 $325.83
Harland Simon 2.25p

■ FRIDAY FEBRUARY 7
API 4p
Blacks Leisure 1.1p
Bristol & West Bldg. Soc. Fltg. Rate Nts. 1994 £263.15
Brit. Petroleum 4.2p
Eldridge Pope A 1.78p
Electric & Gen. Inv. 1.5p
Greenalls 6.6p
Greene King 3.5p
Hanson 7.85p
Harrison Inds. 1.25p
Huntingdon Intl. 1.9p
I & S Opt. Inc. Tst. 1.8p
Keihn Electric Express Railway 6.65pc Bds. 1999 Y177333
Lon. Merchant Securities 0.8p
Lowndes Lambert 4.2p
Meyer Intl. 4.2p
Pall 9cts
River & Merc. Amer. Cap. & Inc. Tst. 1.8p
Salvesen (Christian) 2.9p
Sidlaw 5.7p
Southern Rhodesia $4\frac{1}{2}$pc 1987/92 (Unassented) $2\frac{1}{4}$pc
Do. $4\frac{1}{2}$pc 1987/92 (Assented) $2\frac{1}{4}$pc
Strata Invs. 1.4p
Thames Water 6.4p
Tiger Oats $5\frac{1}{2}$pc Pf. 5.5cts

■ SUNDAY FEBRUARY 9
OMI Intl. 0.75p

PARLIAMENTARY DIARY

■ TODAY
Commons: Private Members' Motions. Debate on the Caribbean Development Bank Order.
Lords: Further and Higher Education Bill, third reading. Question to government on emergency aid for the homeless.
Select Committees: Public accounts – subject, technical and vocational education initiative. Witness: Sir Geoffrey Holland, employment department (Room 16, 4.30pm). Social Security – subject, operation of pension funds. Witnesses: Peter Davis, Reed International; Alfred Browne; Ian Chipperfield (Room 21, 4.30pm).

■ TOMORROW
Commons: Motions on English Revenue Support Grant. Debate on supplementary estimates relating to the European Community budget.
Lords: Local Government Finance Bill, Committee. Carriage of Goods by Sea Bill, second reading. Short debate on the plight of the Kurds and Kuwaitis still in Iraq.
Select Committees: Social Security – subject, operation of pension funds. Witnesses: British International Helicopters; the Occupational Pensions Board (Room 15, 10.30am).
Trade and Industry – subject, Hong Kong and China. Witnesses: Academic experts (Room 8, 10.30am).
Foreign Affairs – subject, Europe after Maastricht. Witness: Douglas Hurd MP, Foreign and Commonwealth Secretary (Room 15, 3pm).

■ WEDNESDAY
Commons: Further and Higher Education (Scotland) Bill, remaining stages. Proceedings on the Social Security (Mortgage Interest Payments) Bill. Motions on the Welsh Revenue Support Grant.
Lords: Debate on the changes in the former Soviet Union. Debate on the Uncertified Securities Regulations 1992.
Select Committees: Environment – subject, coastal zone protection. Witness: the Crown Estate (Room 21, 10.30am).
Foreign Affairs – subject, Europe after Maastricht. Witnesses: Dr Paul Taylor, London School of Economics; Helen Wallace, Royal Institute of International Affairs; Frank Vibert, Institute of Economic Affairs (Room 5, 10.30am).
Trade and Industry – subject, export to Iraq. Witness: Gerald James (Room 15, 10.30am). Welsh Affairs – subject, community care and the elderly. Witnesses: Directors of the Clwyd, Gwynedd and Mid-Glamorgan Social Services Departments; Housing for Wales; Registered Nursing Home Association (Room 8, 10.30am).
Agriculture – subject, trade gap in food and drink. Witnesses: UK Farmers' Unions; Home-Grown Cereals Authority; Milk Marketing Board; Meat and Livestock Commission; British Sugar (Room 20, 10.45am).
Energy – subject, renewable energy. Witnesses: Association of Independent Electricity Producers; Farm Gas Limited; Professor D. Hall (Room 18, 11am).
Employment – subject, work of the employment service. Witnesses: Employment Service; Employment Department Group (Room 20, 4.15pm).
Health – subject, NHS Trusts. Witnesses: Institute of Health Service Management; Confederation of Health Service Employees; National Union of Public Employees; National and Local Government Officers' Association (Room 8, 4.15pm).
Public Accounts – subject, insolvency service account. Witnesses: Inspector General and Agency Chief Executive (Room 16, 4.15pm).
Treasury and Civil Service – subject, BCCI: international and national banking regulations. Witnesses: B. Quinn and R. Barnes, Bank of England (Room 21, 4.15pm).
Home Affairs – subject, migration controls at external EC borders. Witnesses: Home Office officials (Room 15, 4.30pm).

■ THURSDAY
Commons: Opposition debate entitled: Government Responsibility for the Continuing Recession in British Industries.
Lords: Charities Bill, report stage. Motion on the International Transport Conventions Act Amendment Order.

■ FRIDAY
Commons: Private Members' Bills.

APPOINTMENTS

Greencore adds to youthful team

Greencore, the Irish sugar and foods company dogged by scandal last year, is hoping to distance itself from past events with a new, vigorous – and very young – management team.

As from the beginning of this month, David Dilger, 35, formerly chief executive of Food Industries, becomes chief operating officer, under Gerry Murphy, also 35, the chief executive who joined last October.

Food Industries was acquired by Greencore last August – a takeover battle in which Dilger and other board members, in recommending the Greencore offer, took sides against beef baron Larry Goodman, then 68 per cent stakeholder in Food, who wanted to stick out for a fatter price. Dilger and Goodman have apparently not spoken since.

When Chris Comerford resigned as chief executive last September following allegations that he had failed to disclose his personal stake in a Greencore subsidiary, the high-flying Dilger had been tipped as Comerford's likely replacement – before Murphy, also an Irishman and friend of Greencore chairman Bernie Cahill arrived back on the scene in the Republic from Pillsbury.

Dilger acknowledges the task ahead in restoring the company's reputation outside as well as staff morale inside.

The company secretary also quit last year. His replacement is Benjamin Power, 49, who will also join the board. Power was director and company secretary of W & R Jacob, the Dublin biscuit-maker bought by BSN of France last year.

■ Robert Noonan, Irish-born property developer and rugby fanatic, is trying his hand at office technology, as chairman and chief executive of Office & Electronic Machines.

Noonan, boss of Essex property group Danbury, and known as one of the more aggressive operators even in his field, is said to like a challenge. Asked whether OEM will be a full-time job, he remarks that everything he does is full time.

Shortly before Douglas Hawkins, the previous chairman and chief executive, resigned, Noonan had purchased a 14 per cent stake in the languishing OEM, thinking it was a company "worthy of a certain amount of effort".

Hawkins resigned as chief executive at the beginning of January, to return to the City as an electronics analyst.

At that time, Hawkins had said he was staying on as chairman. "I don't know why he hung about," says Noonan with his usual charm.

GE Capital's first mate

Having sailed as a first mate with the Clan Line, looked after the computers at Fylingdales' early warning station, and sold furniture for Times Furnishing, 55-year-old David Stonehouse is switching jobs one more time.

During a 15-year career at Great Universal Stores, one of Britain's biggest retailers, Stonehouse has become one of the leading figures in the specialist field of business information providers. One of the keys to success in retailing is the maintenance of a low level of bad debts and as chief executive of GUS's CCN group, Stonehouse was responsible for the growth of Britain's biggest credit reference bureau, the main competitor to Dun & Bradstreet, and the largest provider of credit scoring. He also pioneered CCN's overseas expansion.

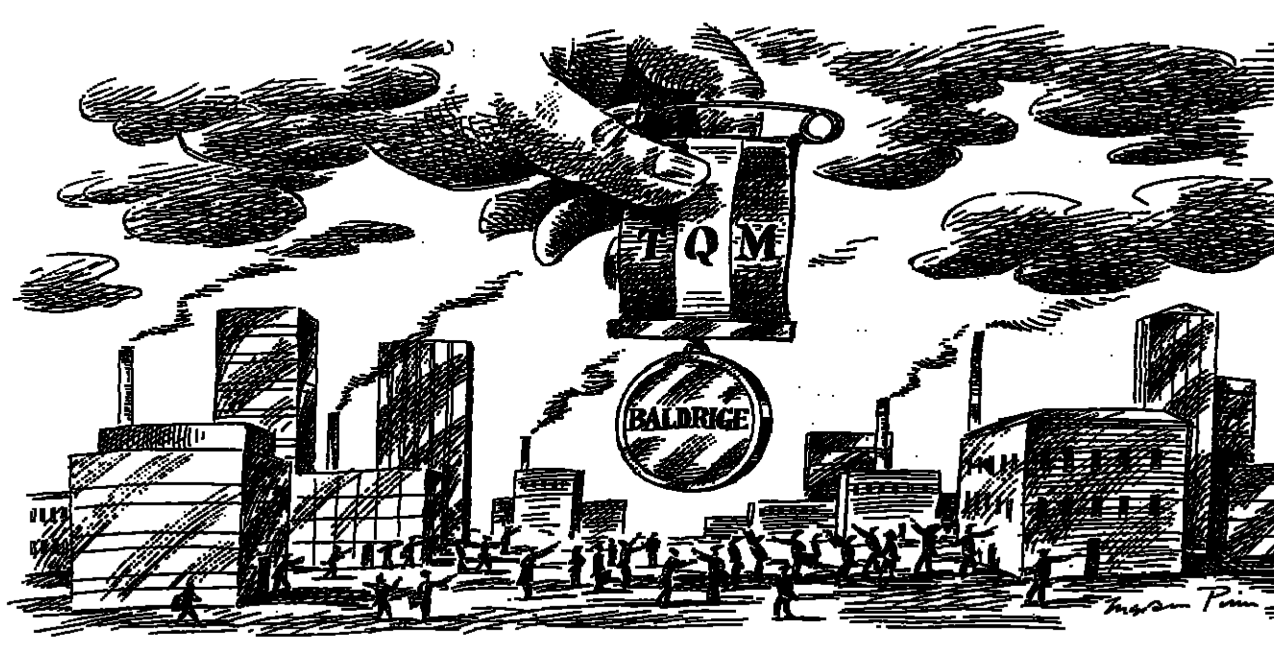
In the past two years GE Capital Retailer Financial Services – the world's biggest operator of in-store credit cards and one of Stonehouse's customers – has established itself as the main player in the UK store cards market. It owns and operates credit cards for House of Fraser, Burton Group, Laura Ashley, Halfords, Dixons, and others.

As chief executive of GE Capital's Retailer Financial Services business in Europe, one of Stonehouse's jobs will be to help his new employer break into the continental European market.

Total Quality

Bouquets and barbed ire

Martin Dickson finds sharply contrasting views of a top US award



Apostles such as Robert Galvin, chairman of electronics group Motorola, call it "the most important catalyst for transforming American business" methods. Dissenters say it is nothing of the sort and may even represent a religious fervour of dangerous, destructive proportions.

In its four-year life, the "Baldrige" prize – more formally known as the Malcolm Baldrige National Quality Award – has become the subject of controversy among US management experts – a debate which has just intensified in the pages of the Harvard Business Review.

The controversy is hardly surprising, since the award – ceremonially handed over by the US president to up to six companies a year – centres on a kind of corporate religion.

The creed in question is Total Quality Management – TQM to the faithful – which has been one of the hottest topics in US business theory for the past decade. At its simplest, this means focusing all a company's energies on improving the quality of its work.

The Baldrige gives awards to companies which have excelled at TQM, and winners undertake to share their knowledge with other US businesses.

"More than any other initiative, public or private, it has reshaped managers' thinking, says David Garvin of the Harvard Business School. It has set off "America's rediscovery of co-operation as a national strength", adds Donald Peterson, Ford Motor's former chairman.

Critics, however, fault it on a number of counts, complaining variously about its methodology, focus and philosophy.

The most cynical point out that it has been won by subsidiaries of several large US companies which at present are hardly examples of financially successful American businesses – IBM, General Motors and Westinghouse Electric.

All three are struggling and their shares have performed dismally in recent years. Indeed, some on Wall Street view a Baldrige award as the kiss of the death for a company's shares.

The debate may find some echo over the coming months in Europe, which has copied the idea of the Baldrige; next autumn, the Dutch-based European Foundation for Quality Management will hand out its first award for TQM.

The origins of the Baldrige lie in a simple American emotion: fear of the efficiency of the Japanese industrial machine and a desire to emulate it.

There is great irony in this, since modern theories of quality control originated in the US between the first and second world wars. But US companies largely ignored the ideas and it was left to the Japanese to apply them rigorously, a lesson they learnt from US advisers sent to rebuild the shattered economy in the late 1940s.

In the early 1950s, the Japanese instituted their own quality prize and named it after W Edwards Deming, the foremost of those American advisers. The US finally followed suit in 1987 with the Baldrige award, which was named after a US Commerce Secretary who died in a rodeo accident.

It is run by an offshoot of the Commerce Department, the National Institute of Standards and Technology, and gives up to two awards a year in each of three categories – manufacturing, service and small business.

Companies nominate themselves and have to submit a lengthy application form describing their quality practices and performance. Those which score well are visited by a team of examiners for a detailed look at their operations.

What are the Baldrige judges looking for? Firstly, adherence to the underlying tenets of the quality movement. These include a belief that the customer is the most important judge of a company's quality.

It is also deemed important for the company's top management to create clear quality values, that the workforce be fully involved, and the whole enterprise aim for continuous, long-term improvement.

Companies should also be trying to build bridges with outsiders, such as suppliers and the local community, and be responsible corporate citizens.

The judges examine a business under seven categories, awarding points in each area. In order of priority, these are: customer satisfaction, quality results, human resource development and management, management of process quality, leadership, information and analysis, and strategic quality planning.

The current controversy was set off by the Harvard Business School's Garvin, a former member of the Baldrige's board of overseers. In a lengthy article in the Harvard Business Review, he claimed criticisms of the award represented "deep misunderstandings", and concluded the Baldrige was positioned just right. That sent many management gurus rushing to their word processors. The issues in the ensuing debate include:

● Financial performance. Garvin and his supporters say it is meaningless to fault the Baldrige for not rewarding financial success since it is not meant to measure this, but total quality management processes.

Financial success can depend on other factors, such as luck. Nevertheless, Garvin reckons the award is a "strong predictor of long-term survival.

● Critics say the award does not honour superior product or service quality, pointing to the example of General Motors' Cadillac division, which won the award at a time when surveys showed American consumers did not rate its cars very highly.

Again, Garvin dismisses this as beside the point, saying the Baldrige is not meant to reward product excellence alone, but more a company's management systems and processes. The Baldrige bashers say this approach sends the wrong message to corporate America. Says Phil Pifer, of management consultants McKinsey: "The Baldrige needs to reinforce that 'just do it' is not enough if you don't do it right".

● The philosophy of the award. The critics say that no coherent philosophy underlies the Baldrige, unlike its Japanese equivalent, which is based firmly on the ideas of W Edwards Deming – himself a strong critic of the American prize. Since the world of TQM is so full of clashing academic egos, each with its own approach, the organisers of the award merely lay down a list of broad quality criteria, without prescribing how a company should achieve them. Garvin defends what he calls this "non-denominational approach, with a strong ecumenical flavour," but says it does not mean that the award lacks a general philosophical direction.

● The impact on US companies. Defenders of the Baldrige say that it has had a significant effect in waking up American managers to the need for TQM – a prime reason for starting the award in the first place. According to Robert Galvin at Motorola, another past winner: "Those companies that embrace the Baldrige are beginning to make giant strides. The difference between the alert business leader's attention to quality today versus 10 years ago is like night and day."

However, the critics say there is a grave danger that the Baldrige, with most of its points going to management processes rather than market place results will simply encourage a knee-jerk, "check the box" approach to quality issues.

McKinsey's Pifer warns that his consultancy is "seeing a disturbingly large number of companies whose total quality management programmes are failing to show signs of meaningful business impact. More and more senior executives privately express reservations or concerns to us about the eventual impact of their quality activities."

An important contributory factor, he says, is a blind pursuit of TQM, when quality or the other benefits of such a programme may not be the most important priority for a company. "The Baldrige award contributes to this problem, by perpetuating the religious fervour and universal appeal of TQM."

Garvin, however, gives short shrift to such apostasy. And to those who argue that the Baldrige is stuck in the middle ground, neither a reward for all-round corporate excellence, nor narrow, traditional quality control, he says that that is precisely where it should be: any narrower and it would not attract the attention of top management; any broader and it would become impossible to judge.

He does acknowledge one flaw – the award is a competition with a limited number of winners, rather than a qualification prize which any number can achieve.

The latter approach, he says, would enhance the co-operation among businesses which the Baldrige is meant to promote.

Yet Garvin's satisfied tone itself seems at odds with the spirit of the award, with its strong emphasis on the need for companies to strive for continual improvements in their working practices.

As Shoji Shiba, a visiting professor at MIT's management school points out: "When you consider something 'ideal', you lose the opportunity to improve it".

Efficiency gains are on the cards

By Diane Summers

Every employee at Elida Gibbs, the Unilever subsidiary that produces bathroom brands such as Timotei, Pears and Signal, carries two cards.

The first lists company goals for growth, customer service, employee training, and improvements in efficiency. The second card carries the Freephone number for a confidential helpline. Employees can ring and, if necessary, arrange counselling on drink, debt, legal or perhaps marital problems.

There is a connection between the two cards, according to Jon Riches, Elida Gibbs' personnel director: improving efficiency means cutting down on waste and that means cutting down on absenteeism.

The expectation is that the counselling service will help to reduce high absenteeism among the company's 700 blue-collar workers. Riches says a cut in the current 8 per cent rate to nearer the national average of around 5 per cent, would pay for the counselling service several times over.

The £25 a head cost of the helpline is made up of a management fee to an external counselling company, plus a charge for every consultation. The use of independent counsellors – in this case the Hertfordshire-based group Focus – is seen by Riches as an essential feature of the scheme.

Line managers have a coaching and counselling role but cannot be expected to have the specialist skills needed to deal with, say, a drug addiction problem, he says. In addition, some issues are private – and employees are bound to believe that revealing their worries to their manager, or even to someone from the personnel department, will affect job prospects.

When the company rationalised its production sites and opened a purpose-built factory at Seacroft on the outskirts of Leeds, it drew much of its workforce from surrounding council estates. Three-quarters of the workforce is female, some of them single parents. This dual role may mean they have to decide priorities – dealing with a sick child or going to work, Riches says.

One of the reasons the factory has attracted a high number of female workers is because of its 15-hour day, divided into three shifts. Women with domestic responsibilities find the five-hour shifts fit in better with childcare than the conventional seven-and-a-half-hour day.

So do women have different reasons for using the helpline than a predominantly male or mixed workforce? Graham Pitts from Focus says not: apart from fewer problems related to alcohol, the range of calls is similar to that found in other client companies.

Frequency of use is also likely to be similar with about 6 per cent of employees calling the helpline over the year. It is too early to say whether the scheme will translate into lower absenteeism or – less tangible – increases in employee "empowerment", as the company calls it.

For Riches is not only looking at the size of the pile of sick notes, he is also hoping the scheme will fit in with Total Quality developments and the gradual introduction of self-managing working groups. As Riches puts it: "Susie has to have the courage to stop the line when she sees that something's not right. In the traditional way of working, that would be a disciplinary offence." It is hoped that counselling, including advice on work-related matters, will speed these developments.

Unilever's 20 other companies, covering 35,000 UK employees, are watching Elida Gibbs' progress closely and could introduce counselling programmes themselves. Overall, Pitts calculates that perhaps only 50 to 70 companies in the UK are using independent counsellors – or employee assistance programmes (EAPs).

EAPs are barely more developed elsewhere in Europe but, if experience in the US is anything to go by, Elida Gibbs and a handful of other companies could be pioneering a trend. Focus points to the fact that more than 75 per cent of the US Fortune top 500 companies now have EAPs. Return on investment in the US is said to vary from \$2 to \$16 for every \$1 spent.

CONSTRUCTION CONTRACTS

Supermarket scheme in Essex

The **JOHN LELLIOTT CONSTRUCTION GROUP** has been awarded a total of £20m worth of contracts, including the £6.7m management contract to construct and fit out a new supermarket with petrol filling station for Safeway at Chafford Hundred, Grays, Essex.

A £2m contract has also been won to design and construct a supermarket shell for Waitrose in Chantry Fields, Gillingham, Dorset.

Another retail project is the £3m fitting out of the first London store for Sogo, a Japanese department store chain. Work on the two-floor 22,000 sq ft store in the Criterion Building, Piccadilly, includes installation of glazed shopfronts, floor, wall and ceiling finishes, mechanical and electrical services and a lift and staircase.

Also secured are the £2m refurbishment of the White Elephant Club in Curzon Street, W1; a £1.2m fitting out of seven-storey offices at 21 Southampton Row, W1 for Mishcon de Reya; a £1.2m residential renovation including a swimming pool at 13 Melbury Road, Holland Park, W14 and a £1.1m refurbishment of bedrooms at Forte Crest Hotel in St James, SW1.

Other contracts include the £900,000 fitting out of Balliol House in Banbury Business Park for CC Projects; £900,000 formation of three offices for Abbey National Building Society in Palmers Green, Walthamstow and Epping; £600,000 psychiatric ward in the Royal Free Hospital, Hampstead, NW3; £500,000 building of extension to Sandown Bay leisure centre, Isle of Wight; and £350,000 provision of a new reception area and other works at Banqueting House, Whitehall, SW1 for Historic Royal Palaces.

£6m retail schemes for Higgs and Hill

HIGGS AND HILL WESTERN has been awarded design and build contracts worth a total of more than £6m for Tesco and Gateway Stores in Bristol and Kingsbridge.

The contract for the Tesco superstore was placed by Carter Commercial Developments on behalf of Tesco. The superstore will have a sales area of around 32,000 sq ft together with a petrol station and car parking. It forms the first stage in the development of shopping and leisure facilities in the Bradley Stoke district.

The building, which will also have an upper floor of over 5,000 sq ft to accommodate offices and other facilities, is of steel-framed construction with brick cladding and feature arches. Major items of plant will be positioned on the roof but concealed by pitched roofs around the perimeter of the building.

The project is to be completed within a 44-week programme to allow Tesco to open for trading in autumn 1992.

The company has also been awarded a design and build contract by Gateway Foodmarkets for a 2,500 sq ft store in Kingsbridge, Devon.

The store, which has been designed to a low profile because of planning requirements in the residential area, will be steel-framed with a facing brick exterior and a pitched roof clad with metal sheeting.

External works will include landscaping, car parking and a secure service yard. The architect for the project is Tektus Architects and the consulting engineer for the retail outlet's structure is the firm of YRM Anthony Hunt Associates.

£22m orders for Pearce Construction

PEARCE CONSTRUCTION has won orders valued at over £22m. New contracts include the Trinity Quay office development, awarded by the Church Commissioners for England, a design & build project valued at £10m. Already sold on to the National Westminster Bank, the new complex will provide 97,500 sq ft of office space on a landmark site in Bristol, bordering on Avon Street.

Pearce has also been awarded work at the University of Bristol. Valued at £4.3m, the project requires the construction of a teaching block, and the strip-out and renovation of an adjacent Victorian building to provide lecture rooms and a lecture theatre.

Further contracts include the extensive refurbishment of the Clifton Heights, part of The Triangle shop and office development, also in Bristol. Valued at £3m, the work involves the complete strip-out and internal rebuilding of existing premises, as well as extensive remedial works and redecoration to the exterior of the building.

A further contract worth £3.7m, awarded by the PSA, involves the substantial alteration and refurbishment of two industrial buildings in Llanegennech Dyfed, near Llanelly, south Wales.

The general works division has also notched up a number of refurbishment orders valued at over £2m. Encompassing repeat business from clients such as British Aerospace and the PSA, as well as new business, the awards cover a wide geographical area from Manchester, Birmingham and Gloucester to Bristol and Swansea. Pearce Construction is part of Crest Nicholson and operates from offices in Bristol, Weybridge, Taunton, Barnstaple and Evesham.

Planning new rail link for Heathrow

A **KIER/LILLEY/KUNZ** joint venture has been awarded a £1.16m contract by Heathrow Airport to build a trial tunnel beneath Heathrow Airport in preparation for its new Express rail link.

The purpose of the 100 metre-long test section is to assess the settlement levels of the new Austrian tunnelling method (NATM) prior to its first use in London clay. The NATM or Shotcrete method activates the loadbearing capacity of the soil by a combination of the sequence and pattern of excavation and support elements.

Support will primarily consist of sprayed concrete (Shotcrete) reinforcement and steel girders. Subject to successful trial results, NATM will be used on all the airport station tunnels of the £235m Paddington to Heathrow link.

The trial tunnel will eventually become part of the running tunnel between the airport's central terminals and Terminal 4.

Work began on January 27 with completion scheduled for 20 weeks.

The total tunnel length to Terminal 4 will be 6.5km including a "cut and cover" section north of the M4.

Sewage plant

GALLIFORD MIDLANDS, part of the Galliford construction group, has been awarded a £4.5m contract by the Severn Trent Water to design and construct a sludge digestion plant at Loughborough sewage treatment works.

The company will be responsible for all civil works, design and construction with Derby-based Rosewater Engineering carrying out the process, mechanical and electrical design installation.

Customs complex

A.F. BUDGE (BUILDING) is to construct a £1.4m office development in Blackburn for HM Customs & Excise.

The project will house VAT and Excise staff from Accrington, Bolton, and Blackburn in a central location, and will comprise 1,900 sq metres of office space and a separate creche for 19 children.

The development will have a steel-frame construction, with pitch tiled roof, brick cladding and car parking.

Kettering village

WHITE YOUNG has been appointed by Balfour Beatty Building as civil and structural consultants on the £11.1m Kettering leisure village project.

The 12,350 sq metre complex will provide a leisure pool, bowling facilities, gymnasium, fitness centre, disco, wine bar and multi-purpose hall. The structure will consist of about 350 tonnes of structural steel including 40 metre span lattice girders.

Aircraft servicing

WIMPEY CONSTRUCTION (UK) has been awarded a contract worth £5m by Travers Morgan Project Management, acting on behalf of the Ministry of Defence, for the design and build of an aircraft servicing hangar at RAF St Athan. The project, which is to be completed by the end of August, will provide facilities for servicing VC10 aircraft.

ARTS

ARCHITECTURE

An artist inspired

Ben Johnson is one of the few practising artists in the world who is inspired by architecture. This is curious because there was a time when artists were architects and architects were artists. They spoke the same language and understood one another.

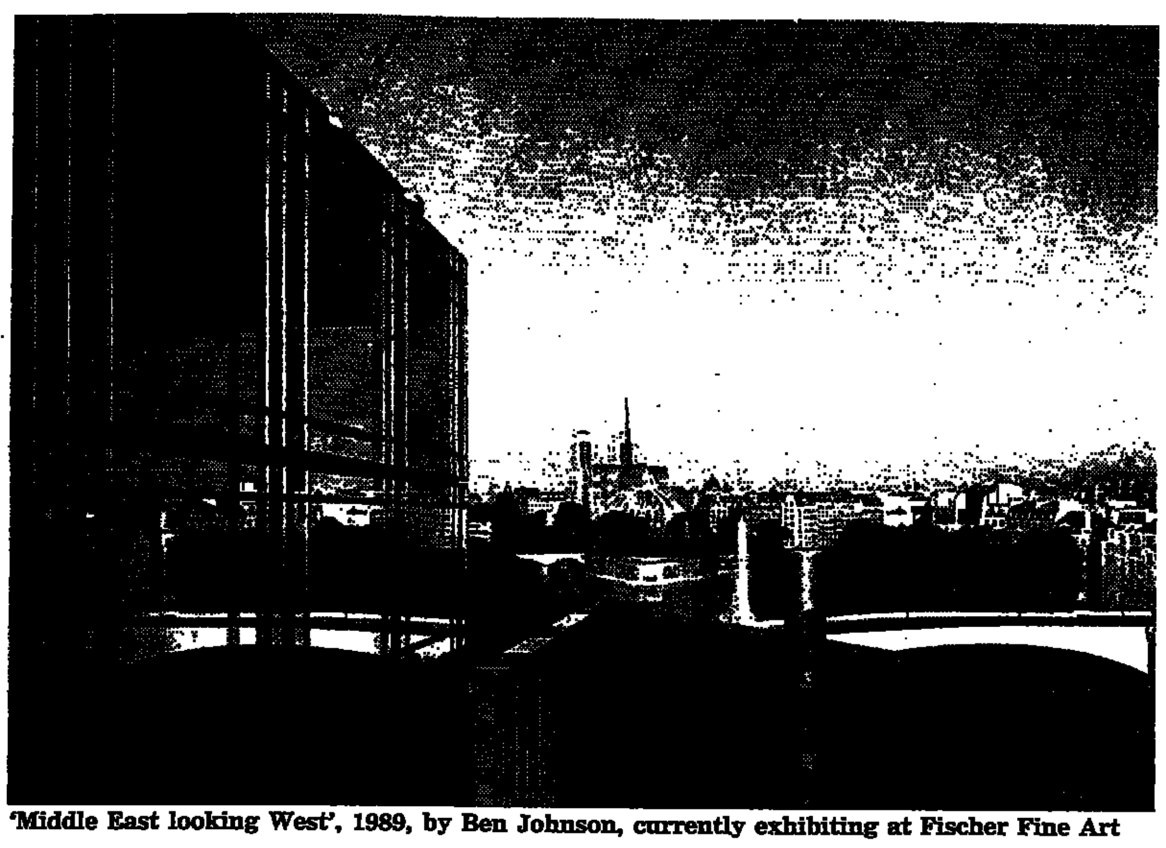
In his new exhibition, at Fischer Fine Art in London until March 5, the precise observations of this excellent artist are revealed in two guises. The smaller half of the show is a group of abstract analyses of geometric problems; the larger element consists of powerful architectural studies of recent and much older buildings.

The artist has called his exhibition *Paintings and Diverse Objects*, with perhaps the most spectacular object being the remarkable table, which is both a painting and a sculpture. The other intriguing three-dimensional object is the maquette for the giant, colourful mobile for the London headquarters of ITN.

The most rewarding paintings are those recently painted in Italy. Johnson is best known for his celebration of the geometry of high-tech buildings and these explorations of classicism represent a newer, calmer phase of work. He has been working in the Palladian villas in and around the Veneto, and there is a new, textural quality in paintings like the one in Fischer's window of the Teatro Olimpico at Vicenza – a stunning picture. His interior views are always formal and cool, but in these Italian subjects an interest in surface decoration is now apparent. Coolness returns to the palette in the long vistas of the corridors at the Cini Foundation in Venice. They suggest both solid architecture and watery infinity.

In many of the paintings, light draws the eye in to more eternal realms than those actually painted. Johnson has a sense of universal geometry. It is something he could one day apply to an exploration of the nude figure which, if added to his repertoire, would virtually complete his artistic achievement. As it is, his paintings are resolved, calm and beautiful – and in the present climate, may it be said, bargains for the serious collector of contemporary representational works of art.

Colin Amery



'Middle East looking West', 1989, by Ben Johnson, currently exhibiting at Fischer Fine Art

The Prince's plan to restore the spirit to our age

Who needs a new school of architecture? This must have been the unspoken question on the lips of all the guests at St. James's Palace last Thursday when the Prince of Wales moved from criticism to construction with his announcement of the establishment of his own new Institute of Architecture. The Prince, standing against the glowing damask walls of the palace, made a long, sometimes strange, and remarkable speech as much about his own deepest personal beliefs as about architecture.

This kind of thinking affects different people in different ways. The president of the Royal Institute of British Architects told me that he was very moved by it. In fact, he welcomed the idea of a new school as a way of healing some of the breaches that have grown up, not just between the public and the profession but also between the various branches of the building and planning business.

Prince Charles is not shy when it comes to facing up to what he considers to be the arrogance of some professionals. He has long despised the separateness of professionals from the realities of life. How many architects have ever tasted life in one of their tower blocks? How many architects have enjoyed a journey in a urine stained lift to a flat that is running with condensation and has no opening windows? How far does this professional remoteness come about through the weaknesses in architectural education? It is surely a reflection of many of the beliefs that have been promulgated for the last 50 years in schools of architecture throughout the world:the belief that history does not count,the belief that functionalism is the most important aspect of architectural design, and the certainty that the architect is always right.

The Prince of Wales would say that it is all symptomatic of the spiritual malaise of our times. As he said: "We are told that our contemporary built environment must reflect the 'spirit of our age'. But what concerns me most of all is that we are succeeding in creating an 'age without spirit'." He was brave enough to expose the fact that what he feels is missing from much modern architecture has nothing to do with style but much to do with content. Content, for the Prince and for many others, has to do with meaning. This is where we get on to sticky ground. Meaning in architecture *does* have to do with the shared values of society and these can as easily be material as spiritual. The problem with materialism is that it is a bit like Chinese food, it can fill you up and still leave you unsatisfied.

I think this is what the Prince means. The architecture that we like does fulfil our appetites on more than just a functional level. As the Prince said, "the kind of buildings that tend to appeal to the human heart, and which make us feel at home, are a very specific range of buildings; very particular in style and organisation and physical character. These are, in fact, the buildings which we have always loved. They include, of course, all the great traditional architectures of the past – enormously varied as these are. But they also include new forms of architecture, based on new materials, new ways of building, new forms of technology."

It is perhaps appropriate for princes to initiate widespread and general discussions – to act as a catalysts to bring together people of a wide range of disciplines to discover the common ground. This is the task that the Prince has now handed on to his own institute – and to a richly varied academic faculty. They will have quite a task and, according to the newly-appointed director of studies, Dr Brian Hanson, they are taking things relatively slowly.

The first course to be launched at the Prince's institute, at its premises in London's Regent's Park, will be a one year foundation course in architecture and the building arts that starts in October.

This will be an introduction to all aspects of building and architecture for students with A-levels who feel that they want to pursue a career concerned with building. It will be both a theoretical and practical course with an emphasis on crafts, hand skills and community projects. A considerable amount of the teaching of the foundation course will take place away from Regent's Park, either in architects' offices or on development sites. This is to bring students in to immediate contact with the realities of contemporary building.

In 1993, the institute will be accepting students for postgraduate courses, which will lead to an equivalent qualification to the RIBA Part II examinations. In subsequent years, the institute will run the full range of undergraduate architectural courses to produce fully-fledged architects.

But there is another side to the institute that has nothing to do with academic or practical training. This is the public role that is planned for it. The idea is that the London premises will hold exhibitions, lectures and conferences and in many ways fulfil the long-felt need that London has had for an architecture centre. In the long term there is a real chance that the institute will move into Somerset House, where it will be well placed to serve as a venue for the education and enlightenment of laymen concerned with architecture and the environment. I think that it is right for such a school and centre to be very responsive to the layman. In that way it will be very different from the new Architecture Foundation – a group principally composed of well known architects and developers – who will be lobbying Mr Michael Heseltine, the secretary of state for the environment, on February 6 urging him to set up a rival architecture centre in London.

The Prince has himself provided the answer to the question do we need another school of architecture when he referred in his inaugural speech to the damaging effects of materialistic dogma and his belief in a great tradition that should be cherished and handed on to future generations. These missing elements in much contemporary architecture can be taught and encouraged to flourish. To achieve this the Prince now has his school. Next he needs first rate support and, above all, first rate students.

CA

Goldoni's 'Clever Wife'

TEATRO DELLA CORTE, GENOA

Last summer, when I visited Genoa's shining new Teatro della Corte for the first time, there was a not-quite-ready atmosphere about the hall: carpets not laid, some doors still not hung, the wall-covering not in place, bar not functioning; on stage, however, all went well, and the rare Victor Hugo play, *Mille francs de recompense*, was a deserved success.

Now, a second visit to the theatre, after six months of operation, reveals a fully operative house in ordered, constant activity, in a position also to receive guests. This month finds the Teatro Stabile of Umbria in temporary residence, presenting Carlo Goldoni's seldom-seen play *La moglie saggia* in a thought-provoking production that makes us view the atypical work of the great 18th century dramatist in a new light (or perhaps, given certain aspects of the staging, it would be more accurate to say in a new darkness).

Goldoni was a tireless worker. He wrote dozens of librettos, tragicomedies, an extended autobiography and a body of 116 plays, including many undisputed masterpieces. Though he has never been anything but popular in Italy, there was for many decades a tendency to concentrate on those masterpieces and leave the unexplored Goldoni alone.

The interpretation of Goldoni, over the centuries, also became codified, stylised. Now and then a great artist – like the late Cesco Baseggio – could breathe life, wit, pathos, intensity into what had seemed stereotypes; but more often, and to most people, Goldoni meant wigs and buckled pumps, mincing and moues. Luchino Visconti and Giorgio Strehler discarded all that excess baggage and, after them, a new generation of producers – including Luca Ronconi – continued the process, both of reviving unknown Goldoni works and of presenting them in a fresh visual frame.

A contemporary of Ronconi's, Giuseppe Patroni Griffi – himself a venturesome playwright – has taken a fresh, clinical look at *La moglie saggia* and has emphasised, with justification, its dark, even sinister nature, somewhat at the expense of the japery of the comic servants, an inescapable ingredient in Goldoni. The apparent story of the play is simple: a dissolute count has tired of his bourgeoise wife and is courting the eccentric Marchesa. When the wife cleverly puts the Marchesa in an intolerable social situation, forcing her to dismiss the count, he plans – and nearly achieves – his wife's murder. But the clever wife foils him, he admires her sagacity, and they are reunited while the Marchesa withdraws from the scene in defeat.

Goldoni, in 1752, apparently considered this a happy ending, which was what his public demanded. But, as Patroni Griffi stages it, the ending is positively Strindbergian. The wife tells her feckless husband to love her "because she is his" – his property – and they apparently settle to continue an unequal marriage, a pact. The concluding mood is resignation. After a near-murder *alla* Hitchcock (the glass of poisoned lemonade glows like the famous glass of milk in *Notorious*), in a gloomy, anonymous room, husband and wife and innamorata speak in passionless voices, as if the precedent, terribly proximity of death had drained them.

This is a dark play, "noir" indeed; but the sometimes excessively lugubrious lighting obscured also the work's meaning, vitiating Patroni Griffi's own concept. Thus in the splendid confrontation scene between the two women Anna Maria Guarnieri, the wife, in her black dress practically merged with the black drapery of the setting, and her facial expressions were, most of the time, illegible. We were watching a play of shadows. And since Guarnieri's tone was deliberately subdued (as opposed to the brilliant bravura of Ilaria Occhini as the mettlesome Marchesa), the confrontations were unequal.

The title role was not the protagonist's. The Marchesa dominated the action. Goldoni was extremely alert to class distinctions. Characteristically, the bourgeoise-turned-countess speaks academic Italian, while her father, the merchant Pantalone, speaks exclusively Venetian dialect. The producer, also thanks to the appropriate costume by the excellent Gabriella Pescucci, cleverly gave Pantalone a Balzac appearance. Worried about his daughter's unhappiness, he also takes care to come to a shrewd financial settlement with his son-in-law. The daughter, however, rejects the agreement; clearly remaining a countess is more important than being rid of an unsatisfactory husband.

The servants are the play's chorus, observantly critical of their employers, ready to exploit them, but also to imitate them. Thus the count's valet Brighella occasionally assumes tones echoing his master's arrogance and sexism. Giovanni Crippa was excellent as the servant, at once sly and ingenuous, matched by Anna Gualdo as his wife Corallina, devoted to her maltreated mistress but totally unwilling to follow her submissive example.

Aldo Terlizzi's versatile sets, of agile curtains and columns helped the producer create a flowing performance, slowed only now and then by the unnecessary, protracted clowning of the two fawning parasites (the Florindo of Fabio Rusca was particularly repetitive and, finally, tedious) and the unfocussed bustle of the servants.

Still, this *Moglie saggia* is a welcome revival of a difficult, forgotten, disturbing work by Italy's richest dramatist.

William Weaver

SPONSORSHIP

Identity crisis

One of the main reasons why companies decide against sponsoring the arts, or withdraw bruised after just one venture, is the poor media coverage given to their commitments. Since the money often comes from the marketing budget, a tangible positive PR return, measured by mentions in the media, is sought and expected. When this fails to materialise there is disillusionment.

The Association for Business Sponsorship of the Arts tried to do something about this by lobbying the editors of the national newspapers. Its gentle arm twisting seemed to produce results. A survey in December 1990 suggested that 34 per cent of sponsored arts events that were reviewed in the quality nationals carried a plug for the sponsor. By March 1991 this had risen to 44 per cent, and in June to a massive 71 per cent. This looked like an aberration when the September figure was down to 49 per cent, but by January 1992 a very reasonable 61 per cent of reviews of sponsored events mentioned the backer.

However, the coverage was unpredictable. In particular, the National Theatre was upset when its production of *Murmuring Judges* last October garnered only two mentions for the sponsor (Amerada Hess) out of 26 reviews: and this after the NT had added a printed slip to the critics' programmes, bringing the sponsor to their attention.

Stunned by the poor response, the NT conducted a survey of the critics to discover why they had ignored the sponsor. The replies suggested that no newspaper has a fixed policy on mentioning sponsors, at least not one that filtered down to the critic. (It is the *FT's* policy to record the name of any significant sponsor – but the best laid plans . . .) Given their apparent freedom in the matter, most critics attributed "lack of space" as the reason for withholding the plug. Only one gave "hatred" of sponsorship, but some were opposed to "free advertising". Quite a few claimed that they were unaware of the sponsorship.

The NT is pursuing the matter. It is contacting arts editors to ask them to produce guidelines for critics, and for *Night of the Iguana* this week the critics will be given help on identifying the sponsor when they collect their tickets

Arts sponsorship needs more justification in a period of declining corporate profits: media coverage may be a superficial way of measuring its value but it is one that even the most philistine financial director understands.

★

These are difficult times for the computer industry, but the leading companies are showing their sophistication by continuing their links with the arts, in particular the theatre. Data General is putting £75,000 behind *The Night of the Iguana*. It is also giving the NT a new computer system to handle planning, pay roll, etc.

Meanwhile, IBM is the new sponsor of the English Shakespeare Company. In the current climate, with labour forces being cut back, companies are reluctant to publicise the exact size of their generosity, but the IBM backing must be worth around £250,000. It will help finance the ESC tour of *Macbeth* and *Twelfth Night* around the UK, and to Japan, Korea, and the US.

★

The RPO has just completed the most challenging tour in its existence – concerts in all 12 European Community capitals, plus Strasbourg, and Milan (and Hastings) in less than three weeks. The trip was made possible partly by the British Council, which put up £100,000 (a marked contrast to the RPO's Arts Council subsidy of £400,000 for the year) but mainly thanks to Cellnet, which contributed £250,000.

This was another imaginative partnership between the arts and international marketing. Negotiations are well advanced to establish a pan-European digital cellular radio system: at the moment mobile phones cannot work across borders. The competition is intense to fix up deals between the many national participants in this growth business. Cellnet was able to invite the key executives from every EC country to the concerts.

It was also able to seal its relationship with Motorola, the manufacturer of its equipment, which came along as a joint sponsor. In effect, the RPO tour gave Cellnet a sophisticated entrée to the continent. In the future it will support the orchestra in the UK.

★

The RPO-Cellnet tour was a good example of the new realism between companies and arts sponsorship. When business was prosperous there was a trumpeting of the philanthropic aspects of the connection, how companies should put something worthwhile back into the community. Now the rationale is hard headed – sponsorship makes good commercial sense.

This was the message that came across strongly at a recent seminar on sponsorship in a time of recession, held at Nomura's London HQ. Geoff Shingles, chief executive of Digital, which provides probably the best sponsorship case study for business schools, related how for less than £1m a year invested in sponsorship (and virtually nothing on advertising) the company had already met and entertained, mainly at dance events, 75 per cent of the executives in the UK who decide what computer system their company should buy.

David Charlton relayed how Mobil, medium sized among the oil companies, had built its corporate advertising, and a big reputation, around an annual sponsorship budget of £750,000. Keith Clarke of Nomura mentioned how his company's arrival in Czechoslovakia was helped by meeting its playwright president Vaclav Havel at a dinner, only made possible by its sponsorship of the National Theatre's visit to Prague last year.

★

The view that any falling away by existing sponsors in 1992 will be made good by new entrants received encouragement last month when Boddingtons, the Manchester-based brewery, committed itself to investing £1.2m over the next three years in the Manchester Festival of Arts & Television. The Festival is also supported by the City Council and Granada TV.

★

Another brewer which constantly backs the arts, Becks, is putting £60,000 behind a retrospective of the German Expressionist artist Otto Dix, which opens at the Tate on March 11. To help spread the news, 17m bottles of Becks Bier will be imported from Bremen carrying information about the show.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Richard Hickox conducts the Netherlands Chamber Orchestra in music by Bach, Mozart, Stravinsky and Haydn. Tomorrow: Robert Schumann Ensemble. Wed: Muir Quartet of Boston. Thurs and Sat: Charles Dutoit conducts the Royal Concertgebouw Orchestra (6718 345)

Muziektheater 19.00 Hartmut Haenchen conducts Harry Kupfer's production of Die Frau ohne Schatten, with Brian Hilt, Ellen Shade, Jane Henschel, John Brocheler and Deborah Polaski. Runs till Feb 21, with next performances on Thurs and Sun (6255 455/credit card bookings 6211 211)

■ BERLIN

MUSIC

Schauspielhaus 20.00 Milan Horvat conducts the Berlin Symphony Orchestra in Prokofiev's Classical Symphony and Brahms' Fourth, plus Paganini's Fourth Violin Concerto (soloist Thomas Christian). Tomorrow and Wed: Aldo Ceccato conducts Verdi's Requiem. Thurs, Sat afternoon and Sun: Miltiades Caridis conducts the Berlin Symphony Orchestra. Sat evening and Sun morning: Solti conducts the Berlin Philharmonic (East Berlin 2090 2156)

Staatsoper unter den Linden 19.00 Egon Bischoff's production of Swan Lake, also Fri. Thurs: Pelléeas et Mélisande. Sat: Meistersinger. Sun: Die Fledermaus (East Berlin 2004 762)

Deutsche Oper 19.00 Stefan Soltesz conducts Gunter Kramer's production of Die Zauberflöte. Tomorrow: Zar und Zimmermann. Wed: the Pekinel Sisters. Sat: L'elisir d'amore. Sun: La bohème (West Berlin 3410 249)

THEATRE

West Berlin: the Schaubühne (890023) has a new production of Botho Strauss' Schlusschor directed by Luc Bondy. The final preview is tonight, opening night tomorrow (also Thurs and Sun). Sweet Charity, the musical by Cy Coleman, Dorothy Fields and Neil Simon, has just opened at the Theater des Westens, running daily except Mon (3190 3193). On Fri, the Schiller Theater has Gerhart Hauptmann's The Rats, directed by Alfred Kirchner. The repertory also includes Molière's Le Malade imaginaire tonight and Sat (3195 236). A stage adaptation of Woody Allen's A Midsummer Night's Sex Comedy, directed by Jiri Menzel, opens at the Theater am Kurfürstendamm on Thurs (8824 941).

East Berlin: the Berliner Ensemble has a new production of Ernst Barlach's play Der arme Vetter tomorrow, plus Brecht's Schweyk on Wed and Galileo on Sat (2827 712). The Maxim Gorki Theater has Carol Churchill's Top Girls tomorrow, Shakespeare's As You Like it on Wed, Chekhov's Three Sisters on Fri and Heiner Müller's Leben Gundlings on Sun (2082 748).

■ GENEVA

Victoria Hall 20.30 Dimitri Kitaenko conducts the Frankfurt Radio Symphony Orchestra in music by Haydn, B A Zimmermann and Prokofiev. Repeated tomorrow in Lausanne and Fri in Zurich (Klubhaus Konzerte 01-277 2040). Sun: Eliahu Inbal conducts Shostakovich's Seventh Symphony (292511)

■ THE HAGUE

Dr Anton Philipszaal 20.15 Tamas Gal conducts the Budapest Concert Orchestra in Kodaly's Dances from Maroszek, Brahms' Double Concerto and Bartok's Concerto for Orchestra. Fri: Charles Dutoit conducts the Royal Concertgebouw Orchestra. Sat: Jan Stulen conducts the Residentie Orchestra (360 9810)

■ LONDON

Covent Garden 19.30 Sylvie Guillem stars in Peter Wright's Royal Ballet production of Giselle, also tomorrow (with Viviana Durante) and Thurs. Wed: first night of Johannes Schaaf's new production of Don Giovanni. Fri: Cosi fan tutte. Sat: Le nozze di Figaro (071-240 1066)

Royal Festival Hall 19.30 Alexander Lazarev conducts the BBC Symphony Orchestra in Weber's overture to Der Freischütz, Strauss' Second Horn Concerto (soloist Radovan Vlatkovic) and Mahler's First Symphony. Wed: Rudolf Barshai conducts the Philharmonia. Fri: Yuri Simonov conducts the LPO. Sat: Claus Peter Flor conducts the Philharmonia. Sun: Yuri Temirkanov conducts the RPO (071-928 8800)

Barbican 19.45 Mark Elder conducts the English National Opera Orchestra in an evening of opera arias and overtures. Sun afternoon: guitar recital by John Williams (071-638 8891)

■ MILAN

Teatro alla Scala 20.00 Piano recital by Maurizio Pollini. Tomorrow, Thurs and Sat: Arabella. Wed and Fri: Fra Diavolo (7200 3744)

■ NEW YORK

Blue Note Jazz Club and Restaurant Tonight's guest is the John Pizzarelli Quartet (shows at 21.00, 23.00 and 01.00). The rest of the week is given over to Tito Puente and the Golden Latin Jazz All-Stars (shows at 21.00 and 23.30, with a third show on Fri and Sat at 01.30). Artists due to appear include Mongo Santamaria, Paquito D'Rivera, Claudio Roditi, Dave Valentin and Hilton Ruiz. Next week: Dianne Reeves (475 8592)

Carnegie Hall The guest orchestra tonight and tomorrow is the Russian State Philharmonic, conducted by Gennadi Rozhdestvensky. Tonight's programme includes Tchaikovsky's Suite No 3 and Rakhmaninov's Third Piano Concerto, with Viktoria Postnikova. Wed and Thurs: Seiji Ozawa conducts the Boston Symphony. Fri: Andras Schiff and the Takacs String Quartet. Sat: Orpheus Chamber Orchestra with Peter Serkin (247 7800)

Avery Fisher Hall The next two weeks of New York Philharmonic concerts are conducted by Andrew Davis. This week's programme (Wed, Thurs, Fri, Sat) includes Elgar's First Symphony and Britten's Four Sea Interludes from Peter Grimes (875 5030)

Metropolitan Opera Tonight at 20.00: Fidelio with Hildegard Behrens, Reiner Goldberg, Ekkehard Wlaschiha and Matti Salminen. Tomorrow and Fri: Der fliegende Holländer. Wed and Sat: Turandot. Thurs: Tannhäuser (362 6000)

New York State Theater This week's City Ballet repertory (tomorrow till Sun) opens with an all-Robbins evening. The season runs daily except Mon till Feb 23 (870 5570)

■ PARIS

Châtelet 20.30 Armin Jordan conducts the Ensemble Orchestral de Paris in Britten's Sinfonietta Op 1, Jean-Louis Florentz's Requiem de la Vierge and Shostakovich's Fourteenth Symphony, with Francoise Pollet and Stafford Dean. Tomorrow: piano recital by Cristina Ortiz. Thurs: Manhattan String Quartet. Sun: Arditti Quartet (4028 2840)

Opéra Bastille 20.30 Donna Brown gives a song recital in the Amphitheatre. Tomorrow and Sat: Myung-Whun Chung conducts André Engel's new production of Lady Macbeth of Mtsensk. Wed: Teresa Berganza. Thurs: French chamber music. Fri: Marek Janowski conducts Beethoven and Bruckner (4001 1616)

Palais des Congrès Kiev Opera Ballet begins a week of performances on Fri with Sleeping Beauty (4068 0006)

Théâtre de la Ville Bernard-Marie Koltes' play Roberto Zucco (1990) opens on Wed for a three-week run. Fri and Sat at 18.00: piano recital by Zoltan Kocsis (4274 2277)

■ ROME

Tonight at the Teatro dell'Opera, Teresa Berganza gives a recital of songs by Falla (488 3641). Thurs in Teatro Olimpico: piano recital by Paola Bruni (323 4890)

■ VIENNA

MUSIC

Staatsoper 19.00 Jan Latham-Koenig conducts Un ballo in maschera, with Gabriela Benackova and Leo Nucci, also Fri. Wed: Katya Kabanova. Thurs: Lohengrin. Sat: Der Rosenkavalier. Sun: Otello with Domingo, also Feb 14 and 18 (51444 2960)

Musikverein 19.30 Vladimir Valek conducts the Tonkünstler Orchestra in music by Schermann, Liszt and Dvorak. Tomorrow: Vienna Schubert Trio. Wed, Thurs and Fri: Horst Stein conducts symphonies by Schedl and Schubert (505 8190)

THEATRE

Shakespeare's Macbeth, in a new production directed by Claus Peymann, can be seen at the Burgtheater tonight, Wed and Sat, with Goethe's Clavigo tomorrow and Waiting for Godot on Fri. The Akademietheater repertory includes Brecht's Baal tonight and Fri, and The Good Person of Sezchuan tomorrow (51444 2218)

● Telephone sales of tickets for the Staatsoper, Volksoper and Burgtheater are available worldwide for holders of credit cards by ringing Vienna 5131 513

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1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline

Super Channel
0600-0620 Business View
0630-0700 Business Insiders
2130-2200 (Tues) East Europe Report – weekly in-depth analysis from FTTV
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
2130-2200 (Thurs) Talking Heads - International Issues

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

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0730-0800 Moneyline
0900-0930 World Business This Week – joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week

SUNDAY

Super Channel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
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Strengthening the UN's role

SCEPTICS have described the summit of the 15-member United Nations Security Council at the end of last week as no more than a "photo opportunity", allowing various world leaders to burnish their images. But that is a very short-sighted view of an event which, if it did not produce any dramatic results, nevertheless has important longer-term implications for what some call the "new world order".

The foundations of this new international system were laid by the ending of the Cold War and the new spirit of collaboration between the US and the former Soviet Union, which made the UN-backed military operation to oust Iraq from Kuwait possible. However, with the disintegration of the Soviet Union and the departure of its leader, Mr Mikhail Gorbachev, the rosy international outlook of only a few months ago quickly changed again.

The decision by Mr John Major, in his capacity as current chairman of the Security Council, to call a members' summit was therefore well-judged. The replacement of the Soviet Union by Russia as a permanent member, the arrival on the international scene of Mr Boris Yeltsin as Russia's new president and the appointment of a new UN secretary-general, Mr Boutros Ghali of Egypt, all justified both a solemn rededication to UN principles and a reappraisal of the organisation's tasks and functions.

Collective security

The first, though not the second of these objectives was satisfactorily attained. Mr Yeltsin has enthusiastically committed himself to the principle of collective security and a stronger UN peace-keeping and peace-enforcement role. His proposals for sweeping new cuts in nuclear arms and endorsement of stricter controls over the proliferation of weapons of mass destruction also augur well for the continuation of the disarmament process. But the 15 leaders have done no more than scratch the surface of how the UN should fulfil its strengthened peace-keeping and peace-making role.

Mr Boutros Ghali has been given only a very general mandate to prepare by July 1 recommendations on enhancing the UN's capacity for preventive diplomacy and peace-keeping. He is known to be a fundamentally cautious man and it might have been better, at the beginning of his term of office, if he had been given more detailed guidelines by the Security Council. Indeed, in view of all that was said about the need for the world organisation to play a more active role, it was surprising that there was so little enthusiasm for the proposal of French President François Mitterrand and Mr Yeltsin for a permanent UN standby force. Article 43 of the UN Charter specifically provides for such a force, and the international climate will never be more propitious than it is now for setting it up.

'Winning team'

The failure of the summit to have even the most cursory debate about the composition of the Security Council was also disappointing. "You don't change a winning team," Mr Major is reported to have said. But that, surely, cannot be the decisive criterion when the permanent members of that team no longer include some of the strongest players in the world, Germany and Japan.

The make-up of the Security Council no longer reflects present-day realities. The defeated powers of the second world war are now among the top three most powerful economies in the world. Japan alone contributes 12.5 of the UN's total budget, nearly half the US contribution and larger than the British and French shares combined.

Their absence from the permanent ranks of the Security Council is nothing less than an aberration at a time when the UN wants to enhance its role and can only undermine its authority and credibility. It is true that changing the composition of the Council could lead to demands from many other nations for permanent membership or a change in the functioning of the UN institutions. Yet however complicated the solution might be, that cannot be considered sufficient reason for permanently ignoring a problem of such significance for the new international order.

Hard slog for Ireland

WHOEVER succeeds Mr Charles Haughey as prime minister of the Irish Republic will have the daunting task of trying to run an economy which is geographically peripheral to mainstream Europe and where unemployment is about 15 per cent – much higher in some regions – and emigration is still a central problem.

On the face of it, Mr Haughey's imminent departure may look like the passing of a generation which had its roots in the old Ireland. That is to underestimate, however, how much has been achieved in the years when be alternated in power with Dr Garret FitzGerald. Ireland now is a more or less contented member of the European Community: relations between Dublin and London have improved beyond recognition and it has become possible to contemplate dropping the formal Irish claim to the whole of Ireland.

Although the Anglo-Irish agreement was negotiated on the Irish side by Dr FitzGerald, Mr Haughey has played his full part in sticking to it. Even on cross-border security, he has been reasonably helpful. On the economy, while he has been occasionally profligate, his government has moved to a more self-dsciplined position, as last week's budget showed. Yet it is a gauge of the problems that Ireland faces that it has to run remarkably fast simply to stay in the same place.

Old-style politician

The customary charge against Mr Haughey is that he was an old-style politician who ran his party and the country like a Mafia: *uno duce, una voce*, as the Irish Times has commented. Yet you can only do that if the prevailing society allows. Ireland did allow it. It is notable that none of the candidates for the succession are putting forward very radical plans for change. Ms Mary O'Rourke, the health minister, for example, says that she is opposed to the repeal of Articles 2 and 3 of the constitution (which lay the claim to govern the whole of Ireland) on the grounds that "for us and our party they are very important and we subscribe to them".

A more damaging charge against the outgoing prime minister is that, like other leaders in other countries, he stayed too long. The succession of scandals and accusations of croneyism were becoming embarrassing if not so much for Mr Haughey at home as for the image of Ireland abroad. Houdini had begun to give the country a bad name. Nevertheless, his departure will not necessarily produce a substantial change of policy.

Challenges ahead

The challenges for his successor are to establish a sustained economic growth rate way ahead of the European average, to reduce the level of unemployment, to attract inward investment and to encourage Irish entrepreneurs to stay at home. Again, however, it may be pointed out that that was precisely what last week's budget was designed to do. Mr Bertie Ahern, the finance minister and another candidate for the succession, acknowledged the debt to the financial transfers from the EC, which he described as "our other homeland". He outlined a considerable reduction in the public sector borrowing requirement – down to just over 2 per cent of gross domestic product. Success in the battle against inflation – down to 3.2 per cent – compares favourably with that in other countries. But, he added, unemployment remains the biggest social and economic problem.

Given modern communications, there is no definitive reason why a small, outlying economy should not be a success story. It is a matter of finding niche markets and, particularly in Ireland's case, further developing tourism. Yet there is one area where the Irish economy remains peculiarly distorted: that is the economic disunion between the two parts of the island. It is there – in the joint development of trade, agriculture and industry between north and south – that progress most needs to be made. A new prime minister may not be expected to change the constitution overnight, but he or she could take note of economic imperatives and resolve to embark upon a long hard slog.

John Willman and **Andrew Adonis** on the merits of proportional representation

Ballot box conundrum

Electoral system – the main options

First-past-the-post: The candidate with the highest number of votes in a constituency is elected, even if he/she receives a minority of the votes cast.

Alternative vote: Voters number candidates in order of preference. If no candidate wins more than 50 per cent of the votes, the second choices appearing on the ballot for the candidate with the lowest number of votes are re-allocated until one candidate wins a majority of votes.

List system: Voters vote for party lists of candidates in multi-member constituencies. Seats are divided between the parties in proportion to the vote gained in the constituency and allocated to candidates from the top of the list, working down.

Single transferable vote: Multi-member constituencies, with voters numbering candidates in order of preference. Complex formula elects candidates receiving more than a set quota of votes. Second and subsequent preferences of votes in excess of the quota and those with the lowest numbers of first preferences are redistributed until enough candidates reach the quota.

Additional member system: At least half the seats are elected on a first-past-the-post basis. The rest are allocated to parties on some sort of list basis so that the number of representatives reflects the distribution of the popular vote.

Mr Paddy Ashdown favours it. Mr John Major doesn't. Mr Neil Kinnock is thinking about it – but agreed to it for Scotland and London last week. Every other country in the European Community except France has it. All the emerging democracies in eastern Europe have chosen it.

"It" is proportional representation (PR) as the system for electing political representatives, and the debate on its pros and cons is intensifying in the UK as the election looms.

Mr Ashdown's Liberal Democrats have a vested interest in a proportional voting system. As a third party with support spread across the country, the first-past-the-post system serves them ill: the Liberal Democrats and their predecessors have never won more than 23 seats (out of up to 650) in a general election since the second world war, despite gaining up to 26 per cent of the vote. With strict proportionality, they would have been entitled to about 150 seats in 1987, and held the balance of power.

However, the growing interest in electoral reform is due not to the Liberal Democrats alone, but to the possibility of a hung parliament after the election. Mr Major has ruled out trading PR in a deal with Mr Ashdown. But Mr Kinnock, whose Labour party last won an election nearly 18 years ago, is already moving towards electoral reform.

Last week, Labour agreed to PR for elections to the Scottish Assembly and the Greater London Authority it plans to set up. It is also likely to introduce PR for elections to the European Parliament, where the UK's adherence to first-past-the-post has produced extreme distortion, affecting the overall party balance at Strasbourg.

It might not be too difficult for Mr Kinnock to go the whole hog and introduce PR for the House of Commons should Labour require Liberal Democrat votes to oust the Tories in a hung parliament – provided there can be some agreement on which system to adopt.

The variety of PR systems has been an obstacle to wider discussion of electoral reform – first-past-the-post at least has the merit of familiarity. The detailed working of Ireland's system of single transferable vote are understood by few, and even sophisticated German voters have difficulty in grasping their additional member system.

Yet in reality, there is little complex about the options, which can be reduced to five broad choices (see illustration). The decision about which voting system is to be chosen depends on the weight to be given to five factors:

● **Fairness.** The traditional *raison d'être* for supporters of PR is that it is fairer – the number of MPs would correspond more closely to the popular vote than under first-past-the-post.

The degree of fairness can be measured using the index of proportionality devised by Professor Richard Rose of Strathclyde University. This widely-accepted measure is based on the sum of the differences between each party's share of seats and its share of the vote, divided by two and subtracted from 100. The higher the index, the greater the degree of proportionality.

The UK index has fallen from a peak of 97 in 1951 to 80 in the 1987 general election, as the rise in popularity of the Liberal Democrats and their predecessors has failed to be reflected in the Commons. It is now well below the range of 87 to 99 for PR systems used in other countries.

However, comparisons between different countries show that some countries which use first-past-the-post do produce proportional results. In the US, for example, first-past-the-post elections to the House of Representatives gave an index of 94 in 1988 – with only two serious parties, there are fewer "wasted votes". In Spain and Greece, both of which use list systems, the index of proportionality is less than 90 because voting is based on regions and there are rules to exclude small parties.

Whether any PR system is more or less proportional than first-past-the-post, therefore, could depend on the rules of the game and national party systems.

● **Coalition government.** The chief argument of opponents of electoral reform is that it militates against "effective government". First-past-the-post in the UK usually gives the party with the most votes a majority of seats in the Commons.

Under PR, outright parliamentary majorities for a single party are unlikely because smaller parties are encouraged. That means government by coalition, in which legislative programmes are assembled by horse-trading after elections, and where smaller parties can wield undue power by threatening to withdraw their support.

The economic performance of different European countries, however, suggests that the identification of effective government with one-party rule is not convincing. Strong economies have flourished in countries such as Germany which have entrenched PR systems, while the UK's lacklustre performance has been under a series of one-party governments.

But the experience of Germany does illustrate one feature of PR which many opponents find hard to swallow: it often gives a pivotal role for centre parties such as the Liberal Democrats in any coalition. Germans joke that they can vote for any government so long as Mr Hans-Dietrich Genscher of the liberal Free Democrats is foreign minister.

● **Extremist parties.** There is a danger in any system of proportional representation that being fairer to small parties may end up being less fair to larger parties – and to the majority of people who have voted for them.

The Israeli list system, for example, provides seats in the Knesset for religious and extremist parties with 1 or 2 per cent of the popular vote. They can force the larger parties to implement policies for which there is no popular support as a condition for coalition.

Elsewhere, extreme right-wing parties, such as Jean-Marie Le Pen's National Front in France, have achieved parliamentary representation under PR elections which has been denied to their UK equivalents under first-past-the-post.

Most PR systems try to exclude small minorities, usually by some form of threshold which excludes parties which fail to win a minimum share of the popular vote. In Germany, the figure is 5 per cent, which has excluded small right-wing parties but allowed the Greens to enter the Bundestag. But such thresholds do mitigate the proportionality of the final result.

● **Accountability to the electorate.** One feature of the UK's first-past-the-post system is that there is a one-to-one link between MPs and their constituencies. Most proportional representation systems break this direct link to some degree.

The list system does this most radically, by creating regional or even nationwide multi-member constituencies. It also puts more power in the hands of the party leaders who select the candidates for the list.

Single transferable vote, the Liberal Democrats' favoured system, also creates multi-member constituencies – typically with three to five members. While this breaks the direct one-to-one link between constituency and MP, it may allow constituents to approach an MP from the party they voted for (assuming that MPs from more than one party are elected).

Labour's strong desire to retain a direct constituency accountability for MPs means that the party is most likely to endorse the additional member system used in Germany. Half or more of the MPs are directly elected by constituencies, with the rest being allocated to ensure representation which matches the popular vote.

● **Representation of minorities.** The UK parliament does not fairly reflect the composition of British society – less than 7 per cent of MPs are women, and only five are from the black and Asian ethnic minorities. Clearly, this reflects the choice of candidates by parties, and could be changed if parties had the will to insist on it. But some PR systems make it easier to create a more representative legislature.

For example, the list system can be used to promote greater representation by women and ethnic minorities simply by ensuring that they appear near the top of the parties' lists. Similarly, women and minority representatives can be used in the topping-up process which makes Germany's additional member system proportional.

It would, however, be naïve to think that weighing of such issues will determine the character of a reformed electoral system. At the end of the day, inter-party haggling will decide the issue – as it always has.

Self-appointed patron of poor

Richard Gourlay on Imelda Marcos's presidential aspirations

Marcos: humbug aplenty

Since Mrs Imelda Marcos returned to the Philippines last November she has collected law suits as she used to collect shoes. The widow of the country's late dictator and self-appointed champion of the poor has already been charged on more than 100 counts, ranging from tax evasion to theft of hundreds of millions of dollars.

In spite of these lawsuits, Mrs Marcos is pressing ahead with her attempt to become president of the Philippines. Last week she filed as a candidate in the May polls, the first since President Corazon Aquino came to power in 1986 after a failed coup had triggered a popular revolution.

A comeback by Imelda could be dismissed as the dream of a deluded and unemployed former First Lady. But Mrs Marcos is creating enough of a stir to suggest that, even if she will not win, she will again play an important role on the political stage.

For this she has Mrs Aquino in part to thank. Restoration of democratic institutions after 14 years of martial law under President Ferdinand Marcos has been a painful experience.

Mrs Aquino's reluctance to seize the reins of power and give firm leadership has led to policy drift, an uncertain investment climate and a stagnant economy.

> Critics say that she can only win by buying the elections, like her husband tried to do in 1986

Divisions in the ruling party will be exacerbated by Mrs Aquino's choice of General Fidel Ramos, the former defence secretary, as her preferred successor.

A protestant in a predominantly Roman Catholic country, Gen Ramos was also head of the Philippine Constabulary for a decade under President Marcos and may have awkward questions to answer.

Mrs Marcos is astute enough to capitalise on these shortcomings. Remarkably, the nation's greatest shopper is presenting herself as the underdog, an "oppressed widow and orphan", rebuilding her ties with the poor.

"For years the poor have cried with me," she said last week from the splendour of her $2,000-a-day Imperial Suite at the Plaza Hotel.

She brushes aside suggestions that these statements are inconsistent with her fabulously opulent lifestyle before she was ousted with President Marcos in 1986. "When you are First Lady you are like a guiding light holding some kind of torch," she says, waving a diamond ring she says Mr Marcos bought with a fortune he had already made when they married 37 years ago.

Sceptics have suggested that Mrs Marcos's presidential aspirations might not be entirely divorced from her imminent trials in Manila.

But Mrs Marcos dismisses this suggestion. "They say the voice of the people is the voice of God," she says, hinting that being elected would be vindication enough. "But I am not afraid to go through judicial and legal process."

Manila's intelligentsia has largely scoffed at Mrs Marcos, partly because of a string of outlandish theories. She believes, for example, that Chinese adventurers are poised to strike south to reopen Manila's seventeenth century galleon trade with Mexico.

These critics say that she can only win by buying the elections, like her husband tried to do in 1986. But they may be missing the point; Mrs Marcos is not talking to them. "I have support from the masses, the people, the poor ones," she claims.

At a rally outside an army camp last week, Mrs Marcos did indeed seem to inspire a collective amnesia. She also has a surprisingly commanding presence before her "little people".

Such advantages may not be enough. Realistically, Mrs Marcos is running for president from too far back in the field. Her best chance is to link up with her husband's most accomplished business associate, Mr Eduardo "Danding" Cojuangco, another of the eight presidential candidates.

But for the moment she sounds like a true believer in her own humbug. "I was like a tree that was fruitful, flourishing and productive, who could not grow a leaf, not a single flower to share with people in need," she says of her time in exile. "To be uprooted was the beginning of slow death."

If forgiving Filipinos fall for this line and allow Mrs Marcos her comeback, the outside world will surely feel that the restored democracy has failed. The Philippines could then lose much of the international business and political support it still badly needs.

OBSERVER

Double agent

■ UK readers may have wondered at the author's by-line behind yesterday's circulation-ramping Sunday Times extravaganza on "Kinnock's Kremlin connection". Reporter Tim Sebastian is still widely thought of as a BBC man.

In fact Sebastian left the BBC a few years ago to concentrate on writing political thrillers, although he has since undertaken a series of reporting assignments in Moscow for BBC TV news on a freelance basis.

How come, then, that Sebastian did not take his world exclusive to the Beeb? The answer is that he did, but the BBC current affairs editors decided the story wasn't worth the cost of a film crew.

Anyone who bothered to read the predictable outpourings of the Soviet embassy in London will be inclined to agree with the BBC's judgment. Conservative Central Office, however, will no doubt consider it yet another act of Broadcasting House treachery.

Desert song

■ In true coals-to-Newcastle spirit, Tyneside businessman Michael Reay is off to this week's International Camel Symposium in Dubai to sing the praises of his company's feed products to Arab racing-camel owners.

Reay's Newcastle-based Equine Products, founded 10 years ago and now exporting a quarter of its £750,000 annual turnover, has hitherto catered primarily for horses, from Derby winners to Shetland ponies. But with help from the department of trade and industry's export information service, Reay is now cultivating the racing-camel market, where he sees big sales growth potential.

At the invitation of the Dubai royal family he will address the symposium on camels' training and dietary requirements, giving his audience the benefit of his seven years behind-the-scenes observation of camel races, a popular Middle East sport, and his discussions with vets, trainers and dieticians.

Trials of the company's products are already under way in the desert to see how food additives could improve racing camels' performance, if not their tempers.

"Pass me the smear supplement"

Ox-pox

■ Meanwhile, as if the Russians did not have enough problems already, a mysterious disease has been killing off their yaks.

More than 1,000 of the beasts – delightfully defined in the Oxford dictionary as "long-haired humped grunting wild or domesticated ox of Tibet" – have died in eastern Siberia over the past two months. Some specialists are blaming large-horned cattle plague.

The crisis has been deemed of sufficient importance to merit sending a delegation from the Russian parliament's emergency committee to the mountainous Tuva region of Siberia. Any salt mines nearby?

Hog's back

■ Steel yourselves for another six weeks of winter, warned denizens of Punxsutawney, Pennsylvania, yesterday when Phil the groundhog saw his shadow as he emerged from his burrow, and went back again.

For long a local hero, the weather-forecasting rodent will soon achieve fame on the silver screen. Shooting starts next month on "Groundhog Day", and Bill Murray, the film's leading (human) actor, showed up at the burrow on Gobbler's Knob for rehearsal.

Lion's share

■ With the life assurance industry under fire for its sales practices, it might seem that the self-regulatory regime has fallen somewhat short of its goals. But not to the Association of British Insurers.

In a submission to Sir Kenneth Clucas, who has been charged with overhauling the current regulatory regime for retail products, the ABI urges the creation of a new super-retail regulator. This would require the merger of two existing self-regulatory bodies, Lautro and Fimbra.

But there's a catch. For the merger to be acceptable to the association, half the combined outfit's directors would have to be life assurance industry representatives. The rest, the ABI concedes, could come from "other providers, independent financial advisors and public interest representatives."

The association argues that this is justified because its members represent the lion's share of the market and will pay a commensurate amount of the new body's costs. Talk about self-regulation!

Time to reflect

■ Great minds think alike. Or so it would seem from the Times Literary Supplement's observations on Melvyn Bragg's novel A Time to Dance about an affair between a bank manager in his mid-50s and an 18-year-old secretary, whose TV adaptation has variously titillated or appalled Britain's chattering classes over the past three weeks.

In the novel, the TLS points out, Bragg's hero rhapsodises about his young lover's name, Bernadette, as follows:

The three syllables, softly clacking my tongue against my palate. Bern – how urgent, how hot! A – the pause, a sigh the fulcrum of anticipation; dette – the stab, the claim.

What a coincidence, then, that 30-odd years in advance of Bragg's 1990 novel Vladimir Nabokov's middle-aged character Humbert Humbert should have rhapsodised thus about the name of his 12-year-old step-daughter lover, Lolita:

Lo-lee-ta: the tip of the tongue taking a trip of three steps down the palate to tap, at three, on the teeth. Lo. Lee. Ta.

Priceless

■ Had trouble getting hold of the FT recently? Then look no further than Harvey Nichols, the Knightsbridge department store. Its display windows are crammed with sculpted piles of FTs. There is even a huge head with its tongue stuck out, all made out of the pink 'un.

The up-market store, which prides itself on the originality of its displays, used 100,000 copies. The bad news for Observer and colleagues is that the papers were not bought, but given away... and that was before the price went up another 5p.

Showing tonight: a picture of chaos

The French government's television deregulation drive is in deep trouble. **Alice Rawsthorn** reports

At six o'clock this evening, the deadline for rescue bids for the ailing French television channel La Cinq, Mr Hubert Lafont, the company's administrator, will thumb through the dossiers on his desk to see whether a rescuer has emerged to keep the station going.

On new year's eve Hachette, the indebted media group which ran La Cinq and is one of its biggest shareholders, told the staff that the channel was filing for bankruptcy.

La Cinq is the first serious casualty of the French government's TV deregulation drive. Its plight bears testimony to the problems of the rest of French TV. Only one of the five commercial TV channels is *making* money. The rest are in the red, as is the struggling cable sector. This has provoked demands for reform of the whole broadcasting system.

The prospects are far from reassuring. The slowdown in the economy, which has already depressed the FFr14bn (£1.43bn) TV advertising market, is expected to worsen. The independent contractors which provideproduction and facilities for the main channels are threatened by bad debts after La Cinq's collapse.

This gloomy picture is very different from thatpainted in the early 1980s when France's socialist government announced its plans for TV deregulation. It believed its proposals, which were heavily criticised inside and outside France at the time, would be a model of a modern media policy – cultural *dirigisme* in a mixed economy. The aim was to foster plurality by bringing private capital into the then state-owned TV system to launch new channels, thereby offering more choice.

But deregulation went only so far. The government was worried that France might follow the example set by Italy where deregulation had heralded an era of dozens of uncontrolled – and uncontrollable – private channels pumping out soft pornography.

It was also anxious to prevent the new stations from filling their schedules with cheap US series; private channels would then be forced to buy French programmes and thereby promotethe development of independent producers and facilities. As a safeguard, the government retained its right to intervene by imposing restrictions on ownership, programming and advertising.

As expected, deregulation prompted an increase in the number of competitors in the domestic broadcasting market. At the start of the 1980s there were three state-owned channels, TF1, Antenne 2 and FR3; by the end of the decade there were three new private stations – Canal Plus, La Cinq and M6 – and a privatised TF1, run by the Bouygues construction company, as well as the two remaining state channels.

But instead of the virtuous combination of cultural diversity and commercial buoyancy envisaged by the government, French TV is in chaos. The supposedly pluralist system is dominated by one channel – TF1 – which has thrived in the private sector and now commands more than 40 per cent of the French TV audience and 50 per cent of the advertising market.

The power of TF1 has left the other stations scrabbling for advertising revenue. A2 and FR3 are in the red; although state owned, they are partly financed by advertising and have been affected by the economic slowdown. M6 is still struggling to break even. TF1 apart, the only successful station is Canal Plus which, as a pay-TV channel, makes most of its money from subscriptions, not advertising. The other channels are locked in a vicious circle; their viewing figures are not high enough to attract advertising away from TF1 and, as a result, they do not have enough money to invest in the new programmes they need to increase their audiences.

The worst case of all is La Cinq which tried – and failed – to compete directly with TF1. In the past year or so its finances have been so strained that it has resorted to broadcasting cheap pornography, to the horror of the regulatory authorities. La Cinq made a loss of more than FFr1.1bn last year, slightly more than its overall turnover.

"The crux of the problem is that there are too many channels chasing too little revenue," said Mr Claud Ravilly, finance director of Canal Plus. "There is a limit as to how many mainstream channels the advertising market can support. Three is probably the maximum. Five is too many."

La Cinq's collapse has, temporarily, at least, helped to alleviate this problem. It is possible that it will find a rescuer. So far the only would-be saviour to have stepped forward is Mr Silvio Berlusconi, the Italian media magnate who is one of its larger shareholders. However, his bid may not be acceptable to the French government given that his Italian stations broadcast exactly the kind of pornographic programmes that the socialists were eager to avoid in France.

If no suitable rescuer comes forward, La Cinq will go off air. Its likeliest replacement would be the current affairs channel – a French version of CNN, the US round-the-clock news format – recently proposed by TF1, Canal Plus and M6. They claim such a channel would be financially viable, as a low-budget service funded partly by selling its own advertising and partly by the revenue they expect to gain after La Cinq's demise.

There would then be four mainstream commercial stations. Most observers of the French media sector believe, like Mr Ravilly, that there is only room for three. The likeliest scenario is that the government might merge the two remaining state channels – A2 and FR3. So far though, it has given no definite indication that it plans to do so.

In the meantime the government could try to aid the TV industry by relaxing state restrictions on advertising – which are stricter for the state stations than their commercial rivals – and programming. These restrictions range from a ban on TV advertising for certain products, such as most forms of retailing, to a stipulation that at least 40 per cent of all programmes be made in France.

Some observers claim that these constraints impose an unfair burden on the TV companies by artificially inhibiting the growth of advertising revenue and inflating overheads. The '40 per cent French' rule alone is estimated to add 20 per cent to programming costs.

"It is a ridiculous situation," said Ms Rebecca Winnington-Ingram, European media analyst at Morgan Stanley Securities in London. "You can't expect commercial TV companies to fend for themselves in a competitive market when they are shackled to the ball and chain of government regulation."

The government has, in recent years, made slight modifications to the advertising constraints. This may reflect the fact that these restrictions are partly a legacy of the era when France's powerful regional press used its political influence to try to curb TV's potential as a competitive advertising medium. Given that a number of the leading regional press publishers, notably Hachette and Havas, are now big investors in TV, the situation today is less sensitive.

On programming, the government shows no sign of relinquishing its controls. The lynchpin of its arts policy under Mr Jack Lang, the powerful minister of culture whose brief includes broadcasting, has been to protect the French language and France's heritage. Mr Lang recently fought a fierce campaign in Brussels over the '40 per cent' rule.

One area of broadcasting where the government does seem prepared to take action is cable. The French cable system is struggling to build an audience in the face of hefty losses and an embarrassingly high 'churn', or disconnection rate. Ten years ago when the socialists unveiled their 'plan cable', they forecast some 1.25m subscribers by 1992. But cable's progress has been so slow that fewer than 700,000 homes subscribe.

One reason for cable's problems is that, just as TF1 has drained advertising revenue away from the other commercial channels, so the popularity of Canal Plus has made it difficult for cable to attract subscribers.

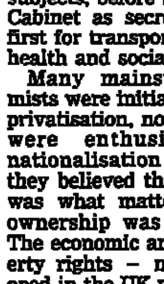
Earlier this month the French cabinet ordered a review of the cable sector. The collapse of La Cinq has led to calls for the government to do the same for the rest of the broadcasting arena. So far there has been no response from the government, probably because it is desperate to distance itself from the political embarrassment of the La Cinq débâcle.

French television

	Advertising revenue		Viewing shares	
TF1	7,154 (51.4)	52.3	43.2	43.8
Antenne 2	2,023 (14.5)	15.8	22.4	21.4
FR3	972 (7.0)	7.3	11.2	11.4
Canal Plus	336 (2.4)	2.5	4.0	4.5
La Cinq	2,302 (16.5)	13.5	12.0	10.9
M6	1,048 (7.5)	8.7	7.2	8.0
RTL	87 (0.6)	n.a.	n.a.	n.a.
TMC	7 (0.1)	n.a.	n.a.	n.a.
Total	13,929 (100)	100	100	100

Samuel Brittan

Rival models of privatisation



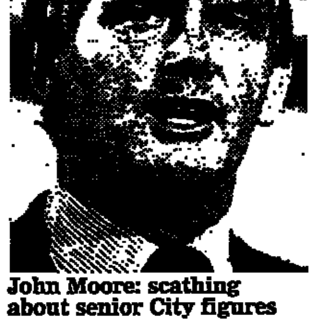
There are now so many libraries of books on privatisation that even reading them is more than a full-time job. It is therefore extremely useful to have within the covers of one pamphlet an analysis of British experience. Privatisation Everywhere* has been written by John Moore, who was a minister at the Department of Energy and then financial secretary of the Treasury with a special responsibility for the subjects, before his spell in the Cabinet as secretary of state, first for transport and then for health and social security.

Many mainstream economists were initially sceptical of privatisation, not because they were enthusiastic about nationalisation but because they believed that competition was what mattered and that ownership was unimportant. The economic analysis of property rights – not very developed in the UK when privatisation started – suggests, on the contrary, that ownership is crucial. Moore summarises the reasons as the inevitable subordination of commercial to political objectives in state concerns; the absence of the bankruptcy threat; and the weakening of the link between customer gratification and financial success.

The sceptics have been persuaded to lie low partly by the popularity (after the event) of privatisation in Britain and other western countries, but even more by its prominence in the reform programmes of the ex-communist countries, almost irrespective of the political hue of the reformers. Governments in central and eastern Europe and their western advisers are united in believing that it is not enough to free prices and remove other controls unless managers have a direct personal stake in the profitability of their enterprise. A further condition is, of course, a functioning monetary system, which is not required to finance sky-rocketing government deficits. But I will not enlarge on the latter problem.

John Moore writes from an unashamedly British background. He points out that legitimate political worries about, for instance, foreign ownership or the continuation of uneconomic but socially necessary services can be safeguarded either in the privatisation legislation or through normal government powers – the "golden share" under which governments can prevent an undesired sale – was a British invention. The author is perhaps over-enthusiastic on the "RPI minus X" formula for price regulation of the still monopolistic public utilities. But he legitimately points out that political opponents have shifted their demands from re-nationalisation to arguments about how to tighten the regulatory regime.

He is rightly scathing about the hostility of senior City figures to mass shareholding. The head of one big brokerage house explained: "But John, we don't want all those kind of people owning shares, do we?" In fact, the original BT sale amounted to double the new issue capacity of the market as estimated by the professionals. Not before time the government realised that it was too much at the mercy of professional bankers and brokers and made these experts compete for highly lucrative privatisation business by means of so-called beauty contests.



John Moore: scathing about senior City figures

Doubt sets in, however, when the author boasts about the increase in the number of individuals holding shares from 7 per cent to 25 per cent of the adult population. Assuming this degree of mass ownership was more expensive for the government than outright sale to institutions at the best price, then the losers have been the other 75 per cent. Unfortunately, Moore dismisses the alternative of "free" distribution to all citizens on the ground that "what we obtain too cheap, we esteem too lightly".

Whatever the pros and cons of free distribution in the UK context, it looks very different in the ex-communist countries where very few people can afford to subscribe for conventional privatisation issues. There are three basic options:

- Sales to foreign investors, which at least bring in some hard currency and release resources for domestic investment or consumption;
- Mass distribution by some variant of vouchers, as in Czechoslovakia or Poland today;
- Handing over to existing management and workers, which in practice will often mean the former communist appointees.

So great is the urgency that all three methods have to be used. Even the third cannot be ruled out for small and medium-sized enterprises. The same manager may behave differently if his personal fate depends on commercially-earned profits rather than satisfying the local party chief in a heavily rigged market.

Cultural change is also required. None of these three methods will yield good results if a Russian manager believes that the key to successful competition is breaking the windows of his competitors or overturning their trucks. But a start has to be made somewhere. The lessons from Britain, in which about one tenth of the economy was taken out of state control over 13 years, need to be modified before they are used in countries where far more enterprises have to be transferred far more quickly in much more elemental conditions.

**Centre for Policy Studies, 52 Rochester Row, London SW1P 1JU, price £6.95.*

LETTERS

Need to learn Japanese

From Mr Michael Perry.

Sir, In view of the correspondence about the importance of using the Japanese language to do business successfully in Japan which has appeared in your columns (Letters, January 15, 21 and 27), two points may be worth noting.

First, in research recently undertaken by Gallup in Japan into Japanese corporate buyer attitudes, the majority of respondents believed that "it is important for businessmen from abroad to have the ability to conduct business in the Japanese language".

Second, Priority Japan, the industry-to-industry campaign which follows on from the Opportunity Japan Campaign, is actively trying to spread the word among British companies about the need to do business in Japanese and to take advantage of the various schemes to train their personnel in the language.

This is not to contradict senior industrialists quoted by Mr Alan Tomlinson (January 27) as preferring Japanese staff for their Japanese operations.

On the contrary British industry needs to invest both in a presence in Japan, staffed by Japanese and/or non-Japanese nationals, and in a greater awareness and knowledge of things Japanese at home.

Michael Perry,
vice-chairman, Unilever,
chairman, Priority Japan,
7th floor,
Kingsgate House,
66-74 Victoria Street,
London SW1E 6SW

Brands too valuable not to be in balance sheet

From Mr J M Murphy.

Sir, Lex, in its tirade against brands and other intangibles on the balance sheet (January 30), has got it wrong. Lex comments that "the Savoy name would be worth rather more to Mr Rocco Forte than it would be attached to a boarding house in Blackpool". But the Savoy's kitchen equipment would also be of more value to Mr Forte than to a small Blackpool boarding house, yet the Savoy's kitchen equipment is accommodated quite readily on the balance sheet.

Lex then argues that "accounts are there to allow the user to judge future cash flows". If we accept this definition, as brands are for many companies the key determinants of future cash flow, it is particularly important that they do appear in accounts.

Finally, let us consider Maxwell. Lex implies that MCC's collapse illustrates the inappropriateness of putting brands on the balance sheet, yet virtually the only assets which will emerge unscathed from the wreckage will be the brands and publishing mastheads.

In today's world the "worth" of a company frequently resides more in its intangible assets (brands, patents, copyrights, software, etc) than it its tangible assets, yet current accounting techniques are rooted in the 19th century and virtually ignore the importance of intangibles in contemporary wealth creation. Railing against brands on the balance sheet is inappropriate; Lex should be championing their inclusion.

J M Murphy,
chairman
Interbrand Group,
40 Long Acre,
Covent Garden,
London WC2E 9JT

Why not a level airport?

From Mr Malcolm Naylor.

Sir, Paul Betts has sadly fallen into the habit of several other aviation correspondents when referring to London City as "the loss making airport," while Stansted is described as a "£400m complex".

I have no quibble with either description in isolation but within the same article ("Zurich jet service brings boost for City airport", January 30), but why bias the reader one way or the other?

If we wish to describe airports according to their profit-making ability let's refer to both Stansted and Gatwick as loss-making airports in line with their 1991 published accounts.

Malcolm Naylor,
managing director,
Brymon Airways,
Plymouth City Airport,
Crownhill,
Plymouth, Devon PL6 8BW

An irrational argument

From Mr Michael Pickard.

Sir, Mr Rigg's letter (January 28) is incorrect, irrational and insulting to our customers and to those employed in, and associated with, the life insurance industry.

For the large majority of people in this country life insurance is by far the most popular means of long-term savings. It offers financial protection, peace of mind and pooled investment expertise. This has led to a record of excellent long term returns in a very competitive market place, with millions of satisfied policyholders.

Policyholders enjoy the protection of a regulatory framework that has never been stronger. Selling practices, which Mr Rigg attacks, are in particular closely controlled and monitored. Great emphasis is placed on suitability and the long-term nature of the contracts.

Michael Pickard,
chairman,
Life Insurance Council,
Association of British Insurers,
51 Gresham Street,
London EC2V 7HQ

Just pensions

From Mr David Lindsay.

Sir, So Mr Neil Kinnock is going to raise pensions "at once" if elected, ie before equalising state pension ages. That would, of course, not only benefit many not in need, but further widen the gap in the treatment of comparable men and women, thereby certainly breaching the spirit – and probably, also, the law – of the EC directive on equal treatment in social security.

Would not the £3bn or so it would cost to raise the pension be better spent in equalising pension age at 60 (to be the starting age of a pension decade) to bring justice to half the population and benefit to many now without pension or earnings?

David Lindsay,
legal adviser,
Campaign for equal state pension ages,
36 Orchard Coombe,
Whitchurch Hill,
Reading, Berkshire RG8 7QL

Misleading view on Mexico's exchange rate policy

From Mr Alejandro Foxley.

Sir, I was disturbed by your suggestion ("Mexico gambles on parity with dollar", January 23) that I believe the Mexican finance minister, Pedro Aspe, is courting disaster with his exchange rate policy. I have never said such a thing.

I have long been critical of the policy pursued by the previous government in Chile of freezing the exchange rate in nominal terms. This created a serious crisis because of the very slow convergence between domestic and international interest rates. This in turn made Chilean producers lose their competitive position and suffer enormous losses and bankruptcies, and caused a collapse of a large part of the financial system.

I have discussed these views at length with my friend Pedro Aspe and other Latin American finance ministers, so they are well known and widely shared by my colleagues.

Your comment gives a wrong impression about my opinion of Mexico's economic policy. I have enormous admiration for what president Salinas and his team have achieved and will continue to achieve in the economic field. I think Mexico is implementing a set of economic policies which are not only sound but appropriate to Mexico's exceptional circumstances. Our own economic policy is very similar to theirs and the results in both cases are very solid.

Mexico has not fixed the exchange rate but is following exchange rate rules fully consistent with the excellent condition of its balance of payments. And if they were to fix the exchange rate in the future, it would not be my role to comment on it, because each country has specific circumstances that may justify such a policy. In the late 1970s, the policy did not work in my country; that does not mean it will not work in other circumstances, for example in present day Argentina.

Alejandro Foxley,
minister of finance,
Republic of Chile

Fax service

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FINANCIAL TIMES
Monday February 3 1992

Yeltsin returns to rising discontent

The Russian leader's success abroad is not matched at home, writes Leyla Boulton

For the love of Lenin: Communist demonstrators outside Lenin's mausoleum in Red Square yesterday

President Boris Yeltsin returned to Moscow from a triumphant international tour yesterday to confront once again the dangerous struggle over domestic issues.

He now embarks on the second month of radical economic reform following the highly unpopular liberalisation of prices of January 2. At the same time he faces the challenge of mounting social hardship, tensions with other former Soviet republics and impatience within the armed forces.

An increasingly visible focus for discontent is provided by his own vice-president, Alexander Rutskoi, a former air force colonel, who says Mr Yeltsin's government may fall in a very short time unless it "corrects" its policies.

The vice-president, who on Friday equated queues at the McDonald's restaurant in Moscow with Russia's spiritual decline, has no economic programme of his own, but he has attracted a lot of support with his calls for more social protection, a strong-arm approach to law and order and war cries about Russia's territorial integrity.

Unless the government reforms show results soon, such rhetoric is likely to attract growing support from a still patient if bewildered population. Mr Rutskoi favours not just a military crackdown on autonomous areas seeking independence within Russia, but the reversal of a 1954 Kremlin decision ceding the Crimean peninsula to Ukraine.

Aware that this would result in protracted bloodletting, Mr Yeltsin is seeking to avoid confrontation through a mixture of backroom diplomacy and tough talking in public

But Russian feelings about the Crimea may be just the start of the troubles.

Azerbaijani foreign minister Hussein Sadikhov yesterday offered to meet his Armenian counterpart to discuss the worsening conflict over the disputed enclave of Nagorno-Karabakh, Reuter reports from Ankara. **Mr Sadikhov said only talks between the two former Soviet republics could settle the dispute over the mainly Armenian enclave, administered by Azerbaijan. As fighting continued yesterday a defence ministry official accused Armenian gunmen of attacking villages in Azerbaijan.**

The Russian parliament has set itself a deadline of Thursday to voice its opinion on the legitimacy of the peninsula's transfer to Ukraine, which in turn refuses to discuss the issue.

A negative statement by the parliament would not only plunge relations with Ukraine to a new low, but complicate a summit of commonwealth leaders on February 14. At the top of the agenda is a possible solution to the dispute over the Black Sea fleet.

Also at the summit, a new military co-ordinating council plans to present commonwealth leaders with demands for the continued unity of the armed forces and for troop withdrawals from outlying republics to be accompanied by housing for homeless officers.

Given talk that army units may refuse to leave the Baltic, it was surprising that Russian negotiators were able to announce a deal at the weekend to begin withdrawing troops from Lithuania this month and from Latvia in March.

The Russian leader's appearance at the United Nations and talks with president George Bush may have confirmed his ability to take on the role of international statesman from Mr Mikhail Gorbachev. But it also coincided with the accession of commonwealth states to the Council for Security and Co-operation in Europe, heralding more international involvement in what used to be internal Soviet disputes.

As fighting raged on last week between Azerbaijan and Armenia over the disputed territory of Nagorno-Karabakh, president Yeltsin effectively gave up earlier attempts to mediate in the conflict when he called on the United Nations to help. His goverment's main focus is on its economic relationship with the two republics.

Although Mr Yeltsin failed to secure any significant pledges of western economic help, Moscow is busily trying to establish a clearly defined rouble zone within the commonwealth to make requests for a western stabilisation fund more convincing.

Last week, for instance, it gave other republics a choice of issuing their own currencies or joining a system of central bank consultations in which Russia would cut off financial transfers and cash supplies to republics which exceeded given credit limits.

Ukraine for one is determined to press ahead with its own currency.

● Mr Vladimir Lukin, chairman of the Russian parliament foreign affairs committee, is due to be appointed Russia's ambassador to the US. This well-travelled, prominent Russian liberal is due to take over from a temporary representative currently in Washington.

Beware of an absence of hindsight

By Anthony Harris

The silliest and one of the most durable of all investment slogans is: "The market is always right". If markets had perfect knowledge and rational foresight, they would never move except in reaction to genuine and significant surprises, and there aren't very many of those. In the real world markets are far more volatile than the economy.

But for that very reason, the second silliest slogan – which is in any case remembered only during ugly awakenings – is: "You can't fight the fundamentals". For much of the time you can and do. That is why "active" – which means short-term – investors do much better following the charts than studying the fundamentals. Fundamentals are for the lazy, who like to review their portfolios only at long intervals or at moments of stress. Oddly enough, they often come out ahead in the long run.

For the ordinary mortal, though, knowing when to follow the fundamentals, and how long you dare ignore them, is the whole art and fun of the thing. A time like now, when equities keep rising as the current situation gets worse, is the time when such a decision has to be faced. Do the markets know something ministers and economists don't know? Or is this just another of those speculative climaxes which are so easy to recognise with hindsight? If you can keep your head when all about you are indulging in wishful thinking...

The strongest argument in favour of current values is in fact the vaguest: recessions are usually relatively short, and this one is already getting on in months. Since recoveries are normally invisible until they have been running for quite a time, the market's timing looks quite plausible. That is what you might call normalised hindsight, and it is a powerful argument; indeed, you can reject it only if you believe this is not a normal recession, or if you are seriously worried by the fact this is not the justification being offered by brokers at the moment.

There is no need to spend too much space on the thesis (advanced by Lord Rees-Mogg) that we are suffering not a recession, but a debt deflation, because any regular reader of this column already knows it by heart. The two strongest arguments in favour of this idea are, first, as Mr Nigel Lawson reminded us last Monday, the recession started and persists in precisely those countries which previously enjoyed a runaway credit boom; and, second, that it was forecast only by those economists who were expecting a debt deflation, and not by those expecting a normal cycle. I find this persuasive; you may not.

The more widely supported bearish thesis is based on our membership of the European Monetary System. You may believe the historical version – that we went in at too high an exchange rate, and are repeating the history of the 1920s. Or you may simply observe that every inflation-prone country that has joined the ERM has had a hard time for some years. Either way, a sense of history – the respectable name for hindsight – should make you at least question the comfortable belief in a normal, though so far invisible, recovery.

> Fundamentals are for the lazy, who like to review their portfolios only at long intervals or at moments of stress. Oddly enough, they often come out ahead in the long run.

But perhaps the easiest way to get alarmed is to listen to a broker explaining the market's strength. Brokers have given up talking recovery, since the government gave economic optimism a bad name, and now base their case simply on falling inflation. When inflation fell in the early 1980s, they explain, London market yields fell well below recent levels; so now a fall in yields can be expected again. Buy now while stocks last.

This is the worst kind of selective appeal to history: cite the facts that support your case, and ignore the rest. It ignores most of the background to the 1980s bull market – a strong recovery in the profit share of national income, a falling pound which further boosted profits, strong economic growth (which not even the optimists now expect), and a level of profit distribution which left plenty of room for hope. We now have a weak dollar, a reasonable profits share, and dangerously high distribution levels.

The falling-inflation case is not in fact a serious argument at all. It is simply a broker talking his book. (Remember Harris's Law: dealers never know why prices are moving, because they are too busy moving prices.) And it is not only sloppy as recent history; it completely ignores the more distant past. Inflation is the debtor's friend; so in a debt deflation, a sagging price trend means that things are getting worse, not better. President Roosevelt understood this well in the 1930s, and opened the champagne at the first news of rising prices.

If this kind of thinking was restricted to brokers fumbling for something plausible to tell their clients, it would only be a subject for a little gentle ribbing. What is serious is that the same kind of sloppy thinking seems endemic among those we pay to think seriously – economists, banks, directors and political leaders. The whole rightwing counter-revolution in the English-speaking world has been led by conservatives (some nominally socialist) who seem to have no sense of the past.

For instance, consider again Mr Nigel Lawson: "A financially deregulated economy, while more efficient and more dynamic, is less stable..." This is not argument, but assertion, and arrogant at that; for it brushes aside as fools all the governments down the centuries that thought it necessary to regulate markets. We would be safer in the hands of the Prince of Wales, who has a vivid sense of the past, even if it does make him a bit timid.

The claimed advantage is suspect, too. More efficient and dynamic than what? Than the highly regulated Japanese economy, or the subsidy-ridden German one? And can an economy which is less stable really be more efficient? The whole argument suggests that those who brush aside the past are also blind to the present.

Mr Lawson handsomely admits that he "greatly underestimated the demand effects" of deregulation; but that is because he wouldn't listen to the fuddy-duddies who could remember even the recent past. More hindsight, please.

Labour accuses Tories of 'smear conspiracy' over KGB archives

By Alison Smith in London

THE UK pre-election campaign yesterday slid into acrimony as the opposition Labour party protested that Mr Neil Kinnock, the party leader, had been outrageously "smeared" by newspaper stories about a meeting with the Soviet ambassador in 1984.

The Tories reacted almost as strongly to the charge from Mr Gerald Kaufman, the shadow foreign secretary, that Mr John Major had authorised "the dirtiest Tory election campaign of the century".

The row follows publication in The Sunday Times of reports in the KGB's archives of contacts in the early 1980s between Soviet diplomats and Labour politicians.

Mr David Mellor, the Treasury chief secretary, fuelled opposition allegations of a conspiracy between the Tories and some of the press when – according to the story – he condemned the "craven and cringing" approach shown by Labour to the Soviet Union.

Senior figures from the two parties clashed angrily on BBC radio, as Mr Roy Hattersley, Labour's deputy leader, accused Mr Mellor of bringing Mr Kinnock's patriotism into question. It was, he said, part of a Tory technique, enabling Mr John Major, the prime minister, "to keep his hands clean" while "the intentional damage over patriotism is done by the rougher, tougher members of the cabinet."

Mr Chris Patten, the Tory party chairman, said the material revealed no more about Mr Kinnock's views than what he said publicly at the time and raised no questions about his patriotism. His judgment, however, was in question. The documents were a reminder that the Labour leader had been wrong in his reaction to the deployment of SS-20 missiles and the abuse of trade union power, Mr Patten said.

The bitter exchanges undermined the expressed desire of all the main parties to fight the election on the issues.

Labour and the Tories plan a full week's campaigning, but the weekend's furore is likely to affect the atmosphere at Westminster, where the prime minister will today make a statement to MPs about his meeting with Mr Yeltsin and the United Nations summit.

Labour will today launch a fresh offensive on education, at the beginning of a week in which it will seek to move the political debate away from the taxation issue and into the areas of education and health which are traditionally stronger ground for it. But the party is still keeping up the pressure on the Tories over value added tax, and yesterday seized on remarks made by Mr Mellor as being a hint that the tax's scope might be widened.

In an interview on TV-am, Mr Mellor emphasised that the commitment made last week by Mr Major that there would be no increase in VAT was for the lifetime of a parliament, and would apply to its rate. On the possibility of broadening the scope of the tax, he said that the government had "no plans" to extend it.

Mrs Margaret Beckett, the shadow chief secretary, called on Mr Major to repudiate Mr Mellor's words and to give a categorical pledge that its scope would not be widened.

'Dirty tricks' attacked, Page 6
Ballot box conundrum, Page 10
Observer, Page 10

New Irish premier likely to be Reynolds

MR ALBERT REYNOLDS, the rebel former cabinet minister, looked set yesterday to become Ireland's next prime minister after his main rival decided to back him, Reuter reports from Dublin.

Mr Charles Haughey, who has dominated Irish politics for a decade, agreed to step down on Thursday after accusations that he knew about the phone-tapping of two Dublin journalists in 1982.

Mr Reynolds, 55, sacked by Mr Haughey last November after leading a failed party mutiny against the prime minister, is now likely to enjoy an easy road to victory after Mr Bertie Ahern, the man who replaced him as finance minister, decided not to contest the leadership.

Mr Ahern, at 40 the youngest member of the cabinet, said: "I think it's far less divisive to rally behind one leader and I am backing Albert."

He denied that his decision not to stand had been prompted by his admission that he had separated from his wife and backed divorce, which is banned in predominantly Roman Catholic Ireland.

Mr Ahern, much praised for the budget he presented last week, said of his leadership ambitions: "I worked on this for three days. Albert has been working on it for three years."

He added: "After Albert Reynolds, I will be the next Taoiseach (prime minister)."

The new leader will be picked by the 77 deputies in the ruling Fianna Fail party on Thursday. The winner needs to have a simple majority.

Mr Reynolds said: "I am becoming more confident with every day that passes."

Mr Ahern, who reckoned he had the support of about 32 deputies against 36 for Mr Reynolds, did not expect all his backers to switch to Mr Reynolds but said his former rival should win easily.

The other candidates in the leadership race are health minister Mary O'Rourke, trying to become Ireland's first woman prime minister, and agriculture minister Michael Woods whose chances of victory as a compromise candidate always looked slim.

Editorial comment, Page 10

Storm over Habash affair rages

Continued from Page 1

told the Foreign Ministry of Mr Habash's request for hospital treatment last Monday, before Mr Mitterrand and Mr Dumas left for Oman.

The lawyer representing Mr Habash has claimed that the decision to admit him to France had been taken at the Elysée Palace "at the highest level".

Even more spectacular has been the resignation of four top-ranking civil servants from the Foreign and Interior Ministries: Mr François Scheer, secretary general of the Quai d'Orsay, Mr Bernard Kessedjian, chief of staff to Mr Dumas, Mr Christian Vigouroux, chief of staff to Mr Marchand, and Mr Christian Rouyer, his diplomatic adviser.

These dismissals have failed to calm the storm.

Moreover, the French press manifestly finds it incredible that Mr Mr François Scheer or Mr Bernard Kessedjian could have agreed to the admission of Mr Habash without telling Mr Dumas, with whom they would have been in regular communication. The same goes for Mr Christian Vigouroux, chief of staff of Mr Marchand.

Tories hint at Ulster pact

By Ralph Atkins in London

THE UK Conservative party's Northern Ireland secretary gave the clearest hint yet that he might consider a pact with the Ulster Unionist party in the event of an indecisive result in the forthcoming British general election.

In a television interview, Mr Peter Brooke did not rule out the possibility of a deal after the election, which must be held by July. He said such a pact might even provide "impetus" to his efforts to start round-table talks on Northern Ireland's political future.

Mr Brooke said the government might amend the 1985 Anglo-Irish Agreement – a central demand of Unionist leaders – if such a move could be agreed with the Irish government.

His comments will add to speculation that the Tories would turn to Ulster Unionist MPs for support at Westminster rather than to Britain's third party, the Liberal Democrats, who would push for a commitment to proportional representation as the price of their support.

There are nine Ulster Unionist MPs plus three from the Rev Ian Paisley's Democratic Unionist party – who might also support a Tory administration – compared with 22 Liberal Democrats. The Ulster Unionists and Tories have historical ties but, since the imposition of direct rule from Westminster of Northern Ireland in 1972, the two parties have drifted apart. In Ulster they will be standing against each other in the general election.

Mr John Major, UK prime minister, has previously heightened speculation about a deal by rejecting Labour and Liberal Democrat calls for a tripartite understanding that the Anglo-Irish Agreement would not be renegotiated during the election campaign. No formal talks between the Ulster Unionists and Tories have taken place so far.

Mr Brooke reiterated his determination to resume round-table talks if he remained as Northern Ireland secretary after the election. However, he said he might impose some form of local or regional government if negotiations failed to reach a conclusion within the lifetime of the next parliament.

Mr Brooke said that the outcome of the general election might match that of February 1974, when no party won an overall majority and Mr Edward Heath, then the Tory leader, considered a pact with the Ulster Unionists. Rather than insist that the Conservatives would this time win an overall majority, Mr Brooke added: "I'm not going to predict what might happen on a future occasion."

He did not accept that the nationalist Social Democratic and Labour party would refuse to take part in round-table talks if the Unionists and Tories struck a deal.

One senior SDLP official warned that Mr Brooke was being "naive" if he thought the party would simply shrug off a Tory-Unionist pact. He said: "It would colour people's views very heavily."

Mr Brooke refused to pledge that changes to the Anglo-Irish Agreement would not be part of any negotiations with the Ulster Unionists. However, he emphasised that, because it was an international treaty, changes would have to be agreed with the Irish government.

Both governments accepted that the 1985 agreement was "not set in concrete" and round-table talks could lead to its replacement.

"It may well be that what we are talking about [a possible Tory-Unionist pact] may lend an impetus to talks, rather than the opposite," he said.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Berlin	Dr	0	32	Caracas	C	27	81	Faro	C	13	55	Islamabad	F	17	63
Algiers	S	13	55	Biarritz	S	11	52	Casablanca	F	19	66	Florence	S	11	52	Istanbul	F	2	36
Amsterdam	Fg	1	34	Bombay	S	27	81	Chicago		–	–	Frankfurt	C	-3	27	Jakarta	R	31	88
Athens	C	4	39	Bordeaux	Fg	2	36	Cologne	C	-1	30	Geneva	S	3	37	Jersey	F	3	37
Bahrain	C	19	66	Boulogne	Fg	1	34	Copenhagen	C	4	39	Gibraltar	C	14	57	Johannesburg		–	–
Bangkok	F	32	90	Brussels	Fg	-2	28	Corfu	S	9	48	Glasgow	C	8	46	Lima	C	27	81
Barcelona	S	12	54	Budapest	S	3	37	Dallas		–	–	Helsinki	C	-1	30	Lisbon	F	10	50
Beirut		–	–	Buenos Aires	R	29	84	Dublin	C	9	48	Hong Kong	S	16	61	London	Fg	1	34
Belfast	C	9	48	Cairo	C	14	57	Dubrovnik		–	–	Innsbruck	S	4	39	Los Angeles		–	–
Belgrade	F	17	63	Cape Town		–	–	Edinburgh	C	9	48	Inverness	R	9	48	Luxembourg	S	-2	28

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	17	63	Milan	F	5	41	Nicosia	F	9	48	Salzburg	S	2	36	Tenerife	S	21	70
Madrid	S	8	46	Montreal		–	–	Oporto	S	18	64	San Francisco		–	–	Tokyo	S	8	46
Majorca	S	16	61	Moscow	C	-2	28	Oslo	C	-3	27	Seoul	F	1	34	Toronto		–	–
Malaga	S	16	61	Munich	S	1	34	Paris	S	5	41	Singapore	F	31	88	Tunis	C	14	57
Malta	F	10	50	Nairobi	S	27	81	Peking	S	3	37	Stockholm	S	0	32	Valencia	S	12	54
Manchester	F	7	45	Naples	S	8	46	Prague	S	1	34	Strasbourg	C	-2	28	Venice	S	9	48
Manila	F	30	86	Nassau	F	24	75	Reykjavik	Sn	-2	28	Sydney	F	26	79	Vienna	S	2	36
Melbourne	S	17	63	New Delhi	S	18	64	Rhodes	F	8	46	Taipei	F	20	68	Warsaw	C	0	32
Mexico City	C	17	62	New York		–	–	Rio de Janeiro	C	35	95	Tangier	C	16	61	Washington		–	–
Miami		–	–	Nice	C	12	54	Rome	S	11	52	Tel Aviv	F	13	55	Zurich	C	-1	30

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Maxwell recycled funds to banks

Nearly all the £900m ($1.6bn) siphoned away by Mr Robert Maxwell from public companies, pension funds and banks was recycled to other banks in a frantic attempt to shore up his tottering private empire. This is the conclusion of an analysis by the Financial Times based on the initial findings of official investigations into the Maxwell empire. Page 14

MacDonald Publishing, Maxwell Communication Corporation's loss-making UK publishing company, announced more redundancies. Page 14

Eurotunnel sues governments

Eurotunnel, the Channel tunnel operator, intends to claim damages from the British and French governments to compensate for the cost of additional safety requirements. Page 14

Airedale wins breathing space

Airedale, the private holding company for Magnet, the UK kitchen retailing business, has won another year's breathing space from banks which it owes over £660m. Announcing an interim loss of £56.1m ($100m) for the six months to the end of September, against £58.3m last time, Mr Louis Sherwood, chairman, said that senior lenders have agreed to continue rolling up interest and repayments of principle. Page 14

Nobel reclaims cash

The board of Nobel Industries, the Swedish chemicals and defence group, is to seek repayment of the SKr1.92bn ($326m) capital contribution it made last August under an agreement to help a 14-bank consortium save its finance subsidiary, Gamlestaden, from collapse. Page 15

Investors shrug off gimmicks

President Bush delivered his much vaunted State of the Union message last week, but investors in the bond market shrugged off the election year package of tax gimmicks and took their cue from Mr Alan Greenspan, the Federal Reserve chairman whose comments in Congress appeared to pour cold water on the prospect of interest rate cuts. Page 16

Market Statistics

Companies in this issue

GPA rejects advice over flotation price

By Roland Rudd in London

GUINNESS Peat Aviation, the world's largest aircraft leasing company, has rejected the advice from its merchant banks to price its new shares at around $20 in its forthcoming flotation.

Mr Tony Ryan, the group's chairman and founder, was reported by one of his advisers as telling the group's investment banks that such a price, which would value the company at around $3bn, would mean selling the company on the cheap. Mr Ryan owns 8 per cent of the company and every dollar reduction in the share price would reduce his wealth by $10m.

GPA yesterday called an emergency board meeting at its headquarters in Shannon, in the Republic of Ireland, to discuss the impending sale which could take place as early as March or April.

The group's executives were first told on Friday, in a meeting with its advisers in London, that the banks were proposing to price the new ordinary shares at between $20 to $25, with the emphasis on the lower price.

GPA executives immediately insisted on flying the bankers to Shannon. Representatives from Japan's Nomura, Schroders, the UK merchant bank, and Goldman Sachs of the US then had a meeting with Mr Ryan. Representatives from Barclays de Zoete Wedd, GPA's UK brokers, were also present. Mr Ryan, already irritated by what he heard, was reported to be even more angry when told that one of the advisers was proposing selling the shares for as little as $17 in order to be sure of placing $500m of the stock in the US.

One adviser to the group said: "Mr Ryan hit the roof when he heard that". The offering will make multi-millionaires out of most of GPA's executive directors.

GPA's advisers have now been told to come up with a new price in the next few weeks. The row could cause a serious rift between the advisers, since there are sharp differences of opinion between them on the proper value of the company.

It is understood that GPA would like to price the shares nearer to $30.

Earlier this year GPA raised $100m through a private placement of convertible redeemable preference shares in the US. These convert into ordinary shares at a price of $34. GPA is considering raising about $700m of new money in its flotation. However, shares with a value of up to $1.5bn are likely to be on offer, the precise amount depending on how many of its existing shareholders wish to sell.

The sale will also help GPA finance its ambitious programme of aircraft purchases. To the year 2000 it has firm orders of $11.9bn.

David Barchard and Robert Peston on the cautionary tale of the TSB

Anatomy of a banking nightmare

There is no better cautionary tale for bankers than the ill-fated foray into commercial lending by the TSB Group of the UK. It is the story of a savings bank which got into a business, corporate lending, whose risks it did not properly appreciate. It then lent too much too quickly and concentrated much of the lending on a particularly risky sector, property.

The price of this mistake has been high. The bank recently disclosed an annual loss of £47m ($85m), in large part because it made provisions of £432m to cover losses on commercial loans made by its subsidiary, Hill Samuel. These provisions were equivalent to 9 per cent of Hill Samuel's loan portfolio, a very high rate. But just over four years ago, TSB was confident that by paying £777m for Hill Samuel, it would shed its dowdy image as a savings bank and pose a challenge to England's quartet of clearing banks.

It can now claim close kinship with the clearing banks, but not in the way it wanted. As a proportion of its total loan book, its losses from corporate lending are even bigger than theirs. The group would be in trouble without its unglamorous traditional business.

At the end of March 1987, six months before the deal with TSB, Hill Samuel had a £1bn portfolio of corporate and personal loans. Mr Don McCrickard, TSB's chief executive, says it then inherited another £2.5bn of corporate loans already made by TSB and its subsidiaries. But the loans which have caused today's difficulties were made in the main between the end of 1987 and mid 1990. In this period, Hill Samuel lent a further £3.5bn, according to former Hill Samuel executives. Mr McCrickard says that most of the growth in lending took place before mid 1989, when £3bn was added. In other words, for a year and a half, TSB was expanding its loan book at an annual rate of more than 50 per cent, an unusually high rate.

When a lending book is being expanded so rapidly, it is difficult to maintain the standards used to assess potential borrowers.

"Where we might have lent £2m in the past, we were suddenly lending £5m. The decisions were not bad at the time they were taken, but the amounts lent were probably too large," says a former Hill Samuel executive.

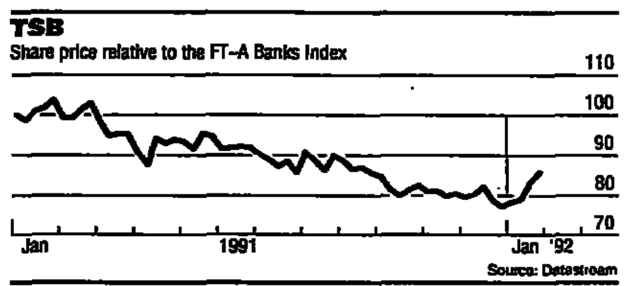
Lending was directed towards the particularly vulnerable sectors of property and construction. Together these sectors account for 59 per cent of Hill Samuel's 1991 bad debt charge.

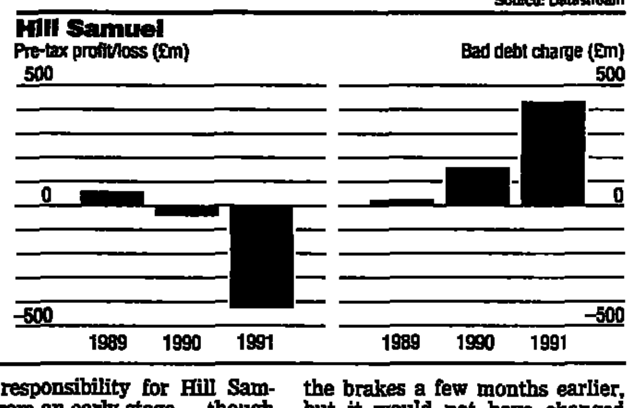
TSB's board has made it plain whom it holds responsible for the Hill Samuel mess. About a third of Hill Samuel's management has left in the past nine months. The most notable departures are Mr Hamish Donaldson, who was chief executive, and Mr Ted Emerson, head of banking.

Only two out of the top 12 executives from the expansionist epoch have survived – those in charge of personnel and legal and administrative affairs.

Hill Samuel's corporate banking department has been cut from 600 people to less than 540. Only four of Hill Samuel's 11 branch directors survived.


Don McCrickard





The departed executives do not deny their share of blame. But they are bitter that the TSB board has apparently absolved itself of responsibility. "From May 1988 onwards Hill Samuel was very firmly under the management of TSB executives", says another former senior Hill Samuel director. "Some of the blame for the loans that went wrong must lie with them."

Their anger is directed principally at Mr Don McCrickard, TSB's chief executive. Mr McCrickard did not initiate the increase in lending, which was the joint responsibility of TSB's chairman at the time, Sir John Read, and his then managing director, Mr Philip Charlton.

However former Hill Samuel executives say that from 1988 onwards, Mr McCrickard was the principal link between the merchant bank and its parent and thus in a position to curtail the lending spree earlier than he did. TSB accepts that Mr McCrickard had responsibility for Hill Samuel from an early stage – though his capacity to control the bank is now difficult to assess, because TSB's cumbersome management structure of the time has since been simplified.

During 1988 Mr McCrickard, already a TSB main board director, moved across from running UDT, TSB's finance house operation, to its head office. He became group deputy managing director for banking in February 1988, and in April was appointed as chief executive of a new bank holding company which embraced both TSB and Hill Samuel.

His main task from 1988 was to forge the group's six or seven scattered banking operations into a unity. A year later he moved upwards again, becoming chief executive of TSB Bank in January, and chief executive of the entire group in December.

Mr McCrickard says that he started to apply the brakes on lending in May 1989: "From then onwards we gripped the business increasingly firmly . . . We started to slow down the business in the summer of 1989."

"We could have put our foot on the brakes a few months earlier, but it would not have changed the nature of the problem."

By the second half of 1990, Mr McCrickard says he was badly alarmed at the way things were going at Hill Samuel. "I put the business under the microscope and saw a clear element of managerial shortfall" he says.

However, Mr McCrickard is hopeful Hill Samuel, under new management, can recover. He adds that Hill Samuel now falls into two distinct parts: its healthy mainstream business and a £680m rump of non-performing loans, managed as a separate business unit, on which the bank has doubts about borrowers' abilities to make payments.

One former executive warns: "TSB board members' public criticism of Hill Samuel has been damaging. They have hurt the business so much that it is going to be a long haul for it to recover".

Mr McCrickard is a realist. He says that further bad debts may keep Hill Samuel in the red for at least another year: "It depends on how quickly there is a turn around in the economy."

Waste group in $500m offering

By Robert Peston in London

A $500m (£276m) public offering of shares in Waste Management International is being brought forward and is likely to take place in late March, according to City firms with a close knowledge of the company.

The flotation is expected to value the whole of the business, which is a subsidiary of the US company, Waste Management Incorporated (WMI), at between $2bn and $3bn.

WMI is the world's biggest waste disposal and treatment company and has a market value of $20bn. It wants to float Waste Management International to help finance rapid expansion of this overseas business.

The timing and structure of the share sale is similar to the offering of shares planned by Guinness Peat Aviation, the world's biggest aircraft leasing company.

A listing for Waste Management International will be obtained in both London and New York. Around 50 per cent of the shares are earmarked for the US: the rest will be distributed throughout Europe.

The sale is being organised by the US investment banks, Merrill Lynch and Kidder Peabody, with the City of London merchant bank, Lazard Brothers, and the City stockbroker, Cazenove.

At the end of last week, UK fund managers received a document on Waste Management International prepared by Cazenove. One who received the document said it was an obvious signpost on the road to flotation.

WMI currently has a direct shareholding of 70 per cent in Waste Management International. It has an interest in the remaining 30 per cent through two quoted subsidiaries, Wheelabrator Technologies and Chemical Waste Management, which have respective holdings of 15 per cent in the international business.

After flotation, WMI's holding is expected to fall to 56 per cent. Wheelabrator and Chemical Waste are expected to reduce their holdings to approximately 12 per cent each.

Waste Management International is likely to make a filing with the Securities and Exchange Commission, the US securities regulator, in the next few weeks, in preparation for the share sale. It cannot discuss flotation until it has done this, so yesterday it refused to comment.

Over the past 20 years, WMI's annual turnover has grown from $16m to $7.5bn and earnings per share have risen at a compound annual rate of 29 per cent.

Tug-of-war starts over European central bank

Economics Notebook

By Peter Norman

The battle to provide the home of the future European central bank is hotting up.

The past few weeks have seen Mr Eddie George, the deputy governor of the Bank of England, pressing London's case and Germany's Chancellor Helmut Kohl, no less, taking up the cudgels for Frankfurt.

Considering that Britain has not fully embraced the idea of economic and monetary union, Mr George's assertion that London's strength as an international financial centre makes it the "logical" location for future European monetary institutions appears rather cheeky.

In unguarded moments, Bank officials have conceded that the headquarters of the European central bank (ECB) may slip from their grasp. But they hope that the issue is politically too finely balanced for any of the big European financial centres, such as Frankfurt or Paris, to win. Instead they have consoled themselves with a second-best option: basing the ECB in a less prominent place such as Amsterdam or Lyons with the Bank of England in London acting as its "operating arm".

The idea has a strong superficial appeal, not least because its advocates see a working model for such a structure in the US Federal Reserve System.

At the centre of the Federal Reserve System is the Federal Reserve Board. Those who see London as the operating arm of a future European system of central banks take the reserve board as the model for the ECB with the Bank of England cast in the role of the Federal Reserve Bank of New York.

The seven-member reserve board is based in Washington, a long way (in mentality, at least) from the financial markets of New York, Chicago and the US west coast. The reserve board staff acts as a think-tank for the system and helps inform the discussions of the Federal Open Market Committee, which sets monetary policy.

The FOMC, which incidently gathers tomorrow and on Wednesday for the first of its eight meetings this year, comprises the reserve board's seven members and the president of the New York Fed as permanent members, and the presidents of four of the other 11 regional reserve banks, who serve on the FOMC in rotation.

The Federal Reserve Board does not carry out the FOMC's monetary policy decisions. Instead, they are transmitted to the New York Fed which implements them through its domestic trading desk. The New York Fed is very clearly the "operating arm" of the US central bank system. Its activities in the US domestic financial markets subtract from or add to the reserves of the US banking system and so determine the nation's interest rate structure.

Over the years, the New York Fed has acquired other responsibilities that make it uniquely influential among the regional reserve banks. It acts as the agent for the US Treasury in foreign exchange intervention. It is a major participant in the US payments and settlements system, much of which is concentrated in New York. Because of this, it gets caught up in dealing with financial crises. It was, for example, closely involved in the damage limitation exercise on financial markets that followed the demise of Drexel Burnham Lambert, the junk bond securities house.

The activities of the New York Fed seem very much like those of the Bank of England in the UK. But how relevant is the US example for the future European economic and monetary union? And can the Bank of England realistically aspire to influence on a par with that enjoyed by the New York Fed in the event of the ECB headquarters being placed outside London?

Much will depend on the choice of location. If the ECB were to be based in Frankfurt, for example, it would be more likely to develop powerful centralising tendencies than if it were located in Luxembourg or Lyons.

But some things are running in London's favour. Thanks to careful nurturing by the UK Treasury and Bank, London has emerged as the premier market dealing in the European currency unit and Ecu instruments. It is, along with New York and Tokyo, one of the three leading foreign exchange trading centres in the world.

Foreign exchange market clout might seem of little consequence as the European Community moves towards adopting the Ecu as a single currency. But if present trading patterns are any guide, London would probably be the preferred centre for a future ECB to intervene with Ecu against other currencies such as the dollar, yen – or even a future convertible rouble.

As Mr George pointed out last month, London trades a smaller proportion of national European currencies than are traded in other European foreign exchange markets, and a correspondingly higher proportion of non-EC currencies.

On the other hand, London is nowhere near as dominant a financial centre in Europe as New York is in the US. Frankfurt and Paris are bigger in relation to London than Chicago and San Francisco in relation to New York.

Although London has been developing its settlement and clearance systems, it has a long way to go before it can provide facilities on a continental scale. National practices will also persist long after Europe moves to a single monetary policy and currency. It is barely conceivable that French or German banks would move to London from Paris or Frankfurt to be supplied with central bank funds in the same way the US money centre banks are supplied with reserves by the New York Fed.

The future European central bank system will therefore be more likely to have several rather than just one operating arm. Some of Europe's former national central banks may develop special responsibilities: foreign exchange intervention could perhaps be concentrated in London. But such developments will not come without a fight.

That at least is the view of officials working on the structure of the ECB and its forerunner institute, the European Monetary Institute (EMI). Several were contacted last week and none of them believed that a single EC central bank, such as the Bank of England, could be designated the "operating arm" for the system.

This adds to the importance of the decision that EC leaders must make before the end of this year over where to put the EMI. The ECB is generally expected to be based in the same location as the EMI. Once the future home of the European central bank is decided, fierce competition will break out among the central banks in the "losing" financial centres to secure as much influence as possible.

Parker Pen auction may raise up to £300m

By Roland Rudd in London

PARKER Pen, the writing instrument maker, is being offered for sale in a global auction likely to raise up to £300m ($543m), its advisers said yesterday. It is the first time the international group has been marketed throughout the world.

Mr Gerry Grimstone, head of the disposals unit at Schroders, the UK merchant bank, which is handling the sale, has drawn up a list of potential buyers in Europe, America and Asia. Parker is expected to make operating profits of about £33m this year, after investing £1m in a new stationery line, on sales of around £180m. It has borrowings of £54m. The group's managers, who bought out the group in 1985, stand to gain millions of pounds from the sale.

Parker failed twice to float the company on the stock exchange in the 1980s. It then agreed a friendly takeover with Pentland in 1988, only to see the £180m deal fall apart when its institutional backers objected to the deal. Mr Jacques Margry, chief executive, was then quoted as saying: "I do not want any more offers."

However, advisers to Parker said Mr Margry and his management team now want to leave the group after seven years in which they have concentrated on brand promotion and taking the group's image up-market.

A sale by flotation was rejected because Schroders expect to raise significantly more through a trade sale.

Parker's advisers stressed that at the time of the aborted Pentland deal the group had not been marketed to any other company.

COMPANIES AND FINANCE

Last details of official investigations to be completed within weeks

Maxwell recycled seized funds to banks

By Bronwen Maddox

NEARLY ALL of the £900m siphoned away by Mr Robert Maxwell from public companies, pension funds and banks was recycled to other banks in a frantic attempt to shore up his tottering private empire.

This is the conclusion of an analysis by the Financial Times based on the initial findings of official investigations into the Maxwell empire.

Accountants and lawyers have spent months penetrating secret overseas trusts and will complete last details of their search within weeks. Their answers to where the money came from and where it went lay the ground for the next stage of the investigation: how it got there, and who is responsible.

As the accompanying chart shows, between January 1991 and his death on November 5 the late Mr Maxwell seized a total of around £900m.

The biggest part, an estimated £390m, came from Maxwell Communication Corporation, one of his public companies. The mechanism for the transfer was simple: he took around £200m from MCC's bank account in the form of unsecured loans to his private companies, which also owed MCC a further £50m in deferred payments on property transactions.

A further tranche was syphoned from MCC in the form of shares in Berlitz, the language instruction company. Although MCC had agreed to sell its 56 per cent stake in Berlitz, just after Mr Maxwell's death, it subsequently discovered that most of these shares had been pledged to banks as collateral, making the sale void and depriving MCC of a further £146m.

There is evidence that some of this happened after Mr Maxwell's death.

At least £300m was taken from the pension funds of Maxwell's companies. Worst hit was the fund of Mirror Group Newspapers, Mr Maxwell's second public company, whose pensioners are now facing poverty.

MGN also lost £97m from its bank account. Of this £47m was transferred out to London & Bishopsgate Group, a private Maxwell investment vehicle, which was supposed to invest it in gilts, a particularly secure form of investment. However the money disappeared – partly to the New York Daily News, Maxwell's loss-making American venture.

The other £50m was a loan to MGN from Bankers Trust, the US bank – but MGN never received the money.

Mr Maxwell also seized the £50m assets in First Tokyo Investment Trust, which he acquired in 1991, for use by his private companies.

Evidence emerged last week to suggest that in the spring he also began to "borrow" money from banks overnight by arranging foreign exchange deals with them, and failing to close the position – or settle the account – at the end of the day as the contracts required. It is now thought that this procedure – at which the banks began to protest vigorously – made him up to £50m in 1991.

In round numbers, therefore, around £900m was obtained by Mr Maxwell in 1991 from a variety of unorthodox sources. The investigators now have a reasonably complete view of the uses of these funds.

Around £150m was soaked up rapidly by the trading losses of his private businesses. His taste for investing in new or troubled newspapers around the world had become a huge burden. The European consumed around £20m, the New York Daily News an estimated £40m, and the Berliner Verlag, a joint venture in Germany, another £40m.

AGB, the market research group, and other businesses such as the North Sea helicopter fleet, together used some £50m.

It is now clear that £500m of the money went to satisfy the pressing demands of the bankers who had lent nearly £1bn to the Maxwell private companies. Around £200m went to repay debts that fell due. Another £100m went in interest on the debt.

The Berlitz shares, and at least £50m of other stocks, were given as additional collateral to the banks. The banks were demanding more collateral because much of their loans in 1990 and early 1991 were backed by Mr Maxwell's holding of MCC shares, and the MCC share price was falling.

That pressure on the MCC share price led to the operation that has most shocked bankers and accountants working on the investigation – the secret deals to support the MCC share price.

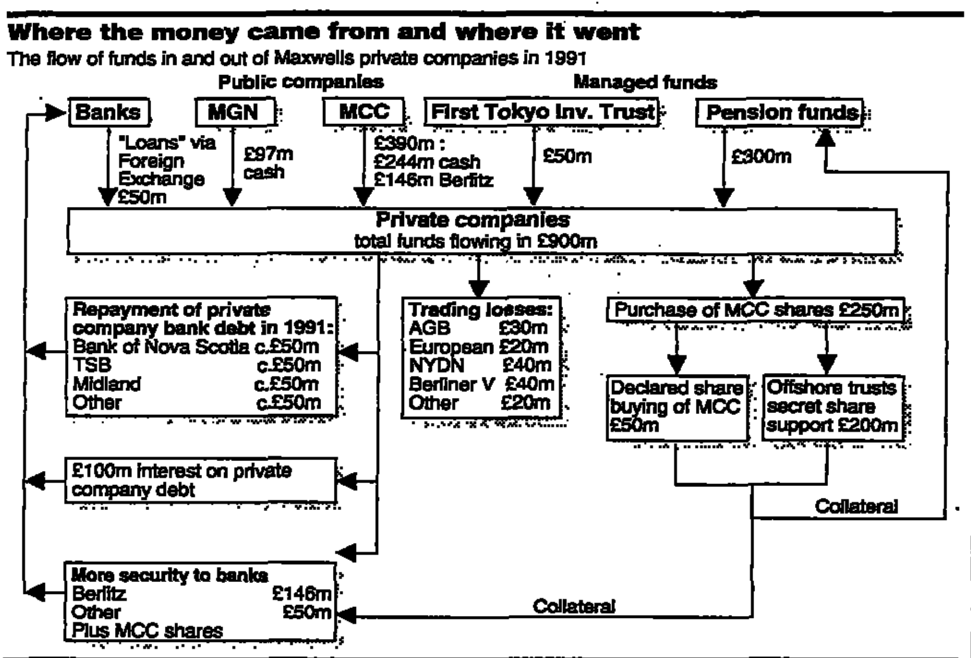
At first the share support was public. Mr Maxwell spent £150m in 1990 and a further £50m in 1991 on openly buying MCC shares. This took his publicly declared stake in MCC to 68 per cent by early 1991.

But in April and May 1991, shortly before MCC issued a profits warning and just ahead of the MGN flotation, he began to buy shares secretly through hidden trusts in Lichtenstein, Switzerland, Panama and the British Virgin Islands.

Some of this money – which ultimately totalled £200m – was from MCC itself. It is illegal under UK company law for companies to buy shares without their shareholders' permission.

So how much of the £900m is recoverable for creditors? The private companies have some assets that are now being sold to help meet the debts they owe to the banks, the public companies and the pension funds. But most of this £900m seems unlikely to be recovered.

Accountants believe that in the last few days of their investigations of the secret trusts they are unlikely to find hidden pots of Maxwell gold.



Eurotunnel to seek damages for cost of extra safety

By Paul Abrahams

EUROTUNNEL, the Channel tunnel operator, intends to claim damages from the British and French governments to compensate for the cost of additional safety requirements.

The company has written to the British department of transport about changes to the tunnel's operation and rolling-stock design imposed by the Anglo-French tunnel safety authority.

Eurotunnel says that since the increased standards were not part of the original concession contract, the additional costs should be paid for by the governments.

"We are looking for compensation for the additional requirements," said Mr Douglas Hogg, commercial and communications manager at Eurotunnel. "It's impossible to say how much exactly, but it's likely to be in the order of £100m."

The company has also complained that it has to implement the new requirements by 1994, while cross-channel ferries are not obliged to meet international stability standards until 1999. It said Eurotunnel's concession contract obliges the governments to allow it to compete on equal terms with ferry companies.

Mr Hogg pointed out that the National Audit Office reported last week that spot-checks on ferries between 1989 and 1991 uncovered defects that could have "a serious impact on the survivability of passengers in the event of an accident."

Eurotunnel's complaints follow a report last December by the House of Commons home affairs select committee rejecting the group's allegations that its commercial prospects were being hit by the safety authority's bureaucracy.

Meanwhile Eurotunnel is in dispute with contractors building the link about cost-overruns. Transmanche Link, a consortium of five British and five French construction companies, is claiming additional payments of £800m at 1985 prices to cover changes to tunnel specifications.

BP decision opens the way for disposal of agricultural side

By Simon London

BRITISH PETROLEUM has decided that the agricultural interests under its BP Nutrition division are no longer a core asset, opening the way for the businesses to be sold.

The decision to re-classify nutrition as a non-core activity was taken at the end of last year following an operational review of all BP's activity.

The division will now have to be self-financing, with capital investment coming from internal resources rather than the parent company.

A BP spokesman said: "The business is not up for sale but we are looking for it to feed cash back rather than absorbing capital investment."

However, the decision has raised expectations that BP will be willing to sell the business should a suitable buyer come forward. Bankers estimate that the company could raise up to £600m from such a sale.

BP Nutrition breeds poultry and other livestock, manufactures animal feed and markets meat products. In 1990, it turned in a profit of £48m on a turnover of £2.68bn. Capital investment totalled £152m.

BP has trimmed total capital expenditure plans for this year by $500m to $6.5bn. This has been accompanied by a campaign of cost-cutting which has seen head-office staff reduced by 50 per cent and job losses elsewhere.

Already this year, BP has announced the $125 sale of oil production assets in Egypt and pulled out of a big liquified natural gas project in Qatar. At the end of last year, bankers were appointed to secure the sale of BP Canada's loss-making mining business, which has a book value of C$200m.

Airedale wins more breathing space after £56m interim loss

AIREDALE, the private holding company for the Magnet kitchen retailing business, has won another year's breathing space from banks which it owes over £660m, writes Simon London.

Announcing an interim loss of £56.1m for the six months to the end of September, against £58.3m last time, Mr Louis Sherwood, chairman, said that senior lenders have agreed to continue rolling up interest and repayments of principle. The position will be reviewed again in December.

While interest costs of £47.3m (£43.3m) were charged, no cash payments are being made. On the trading side, Magnet managed to trim first-half operating losses from £15m to £8.8m, although there was no improvement in trading conditions.

Sales were down 11 per cent at £99.9m.

While senior lenders are continuing to support Airedale, the company faces a claim from GE Capital, which is pressing for early repayment of £70m mezzanine debt.

The debt was provided in 1989 to finance the management buy-out of Magnet.

GE is claiming that it was misled over the conditions under which the loan was made.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Roussel Uclaf (France)	Unit of Wellcome (UK)	Environmental health	£43m	Non-core sale completed
MAN Nutzfahrzeuge (Germany)	Unit of Lonrho (UK)	Truck imports	£20m	Debt-driven disposal
Voest-Alpine (Austria)	Dunaujvaros (Hungary)	Steel	£17m	Part of eastward push
Bovis (UK)	Schal Associates (US)	Construction	£14m	Strengthens US presence
3 Com Corp (US)	Unit of BICC (UK)	Data networking	£14m	Non-core sale
Willis Corroon (UK/US)	Richards Mellings (Canada)	Insurance	£8.3m	Continues intl development
Willis Corroon (UK/US)	UTA (Italy)	Insurance broking	n/a	Willis buying half
Scapa Group (UK)	Adenax (Italy)	Adhesive tapes	£6m	Pirelli disposal
Seeboard (UK)/Utilicorp (US)	Southern Gas (JV)	Gas supply	n/a	Utilicorp's 4th such JV
Toyota (Japan)	Toyota France (France)	Car imports	n/a	Plans for minority stake

Source: FT Mergers + Acquisitions International

COMPANIES AND FINANCE

EC closer to accord on capital adequacy

By Andrew Hill in Brussels

THE EUROPEAN Community deadlock on common capital adequacy standards for EC securities firms could be loosened this week following agreement in Geneva last week on international capital rules.

European Commission officials will this week try to engineer a deal between feuding EC member states on the draft capital adequacy directive. One described the international agreement as "pretty helpful" to the EC negotiations, which aim to establish a parallel capital adequacy regime.

The Commission is expected to produce a new compromise text today, for discussion by national representatives tomorrow and Wednesday. Mr Geoffrey Fitchew, who heads the Commission directorate responsible for financial institutions, was an observer in Geneva and may report to the Brussels meeting on the outcome.

EC discussion about the capital adequacy directive has been characterised by disputes between countries such as Spain and Germany – which want to apply tight bank-style rules to securities firms – and others, notably Britain, Denmark and the Netherlands, which want to preserve the distinction between the regulation of banks and brokers.

Banking and securities regulators were split along roughly the same lines, but the Geneva meeting appears to have narrowed the gap.

They have, for example, reached general agreement on the ratio of subordinated debt to other capital which can be counted for regulatory purposes. Commission officials believe some EC members will consider the 2.5:1 compromise too loose.

The new EC text differs in some unspecified details from last week's international compromise, which will still be the subject of long negotiations between bank and securities regulators.

But the broad rapprochement between regulators may persuade bickering EC governments that it is worth forging a parallel deal which could be fed into the renewed international debate later this year.

Ferruzzi unveils plan for sugar deal

By Haig Simonian in Milan

FERRUZZI, the Italian agro-industrial and chemicals concern, has unveiled terms for the merger of Eridania and Beghin-Say, its Italian and French sugar subsidiaries. The deal will create a foods group with expected sales of over L11,000bn ($9.2bn) this year.

Early market reaction suggested that the transaction, first mooted last November, could prove controversial because of the price attributed to the Eridania assets being bought by Beghin-Say.

Mr Giuseppe Garofano, chairman of Ferruzzi's Montedison subsidiary, which controls Eridania, stressed the valuation had been carried out with the knowledge and approval of the Commission des Opérations de Bourse, the French stock market authority.

Under the proposal, Beghin-Say will make an exclusive rights issue on behalf of Eridania, which will participate by conferring its Italian sugar business and its 30 per cent stake in Cerestar, the starch group in which Beghin-Say is the other shareholder. Beghin-Say will then be renamed Eridania/Beghin-Say (EBS).

Eridania itself, which will remain as a shell company to be renamed Finanziaria Agroindustriale, will be absorbed by Montedison.

Ferruzzi controls Montedison, which in turn controls 55 per cent of Eridania. The latter holds 60 per cent of Beghin-Say's capital.

The transaction will be highly beneficial for Montedison, which should gain a L65-70bn a year profits boost by eliminating the dilution of earnings attributable to minority shareholders at Beghin-Say.

However, the acquisition of Eridania's assets, valued at FFr7.6bn ($1.4bn) may be less palatable to Beghin-Say's shareholders. The company, which enjoys high operating margins, could become less attractive an investment when combined with Eridania's less profitable Italian business, analysts said.

Beghin-Say will issue 9m new shares, priced at FFr800 each, to pay for the Eridania assets. Minority shareholders in Eridania will then be offered shares in EBS on the basis of two new EBS shares for every 37 ordinary Eridania shares, or one new share for every 24 Eridania savings shares held.

Investors not accepting the offer can either take Montedison shares, at a ratio yet to be determined, or sell their rights for cash.

Mr Garofano justified the valuations on the basis that the merger would create Europe's third biggest foods group.

Italy approves takeover rules

By Haig Simonian

LONG-awaited rules for takeover bids of stock market quoted companies have been approved by Italy's politicians, just hours before the dissolution of parliament.

The new ruling, designed to protect the rights of minority shareholders, brings Italy into line with market practice in other big industrialised countries.

It should put an end to the Italian practice of exchanging crucial stakes in listed companies at premium prices without offering the same terms to small investors.

The new law was welcomed on the Milan bourse. Brokers said it should bolster the image of Italy's capital markets and attract more private investors to the stock market. Mr Attilio Ventura, head of the stockbrokers' committee which runs the Milan bourse, said the law represented "a decisive step for the market".

Under the rules, the sale of a controlling stake in a company will have to be followed by a full bid by the buyer. Stricter reporting requirements also apply to deals involving large packets of shares falling below the legal ceiling for launching a full bid.

A purchaser of 25 per cent of a company's equity would now be obliged to mount a full takeover should it seek to buy any more than a further 2 per cent in the following 12 months.

Once a takeover has been launched, a bidder may raise the offer price only once, and by at least 5 per cent. The new law also allows contested bids, with the counter-bidder being required to make an offer at least 5 per cent superior to that of the original bidder, which may in turn improve its offer.

Nobel to reclaim unit's rescue cash

By Robert Taylor in Stockholm

THE BOARD of Nobel Industries, the Swedish chemicals and defence group, is to seek repayment of the SKr1.92bn ($326m) capital contribution it made last August under an agreement to help a 14-bank consortium save its finance subsidiary, Gamlestaden, from collapse.

The company also believes it should not have to pay a further SKr400m to Gamlestaden, which is now owned by the banking consortium, by the end of next year.

Nobel's move follows a recommendation to reclaim the money in a report last week by Mr Jan Ramberg, professor of private law at Stockholm university. He was commissioned by the company to investigate the crisis that led to the downfall of Nobel's owner, Mr Eric Penser, and its takeover by the bank consortium.

Nobel's demand seems likely to involve further negotiations with the banks, who have suffered substantial losses as a result of their SKr5bn rescue of Gamlestaden.

Professor Ramberg's report concludes that the terms of last August's agreement between Nobel and the banks, covering the company's capital contribution, are invalid. This is because of the pressure applied by the banks on Nobel, contrary to Swedish law.

In discussions between the two sides last August, Nobel was forced not only to accept paying a SKr2bn contribution (of which SKr1.6bn would be paid by the end of 1991 and the rest by December 30, 1993) to help save Gamlestaden, but also SKr320m in the form of a promissory note.

"Nobel was subjected to hard pressure to comply strictly with the agreement obligations", says Professor Ramberg in his report. "The credits were cut off and the banks refused Nobel the right to deposit the disputed contribution in a blocked account, pending legal examination, and thus forced the board members, at the risk of personal responsibility for damages, to pay the amount to Gamlestaden."

Banesto pre-tax profits surge 27%

By Tom Burns in Madrid

BANESTO, the Spanish retail bank, lifted pre-tax profits of its financial group in 1991 by 27 per cent, to Pta75.6bn ($763m), and will raise its dividend by 5 per cent to Pta157.5 net per share.

The financial group, excluding industrial holdings, increased its operating margin by 26 per cent. Income from commissions grew by 67.7 per cent.

The profit figure was boosted by the first inclusion in the consolidated results of the Banesto-controlled Portuguese bank, Totta y Acores, and by Pta34.1bn from the disposal of assets, a 50 per cent increase on 1990.

Last year, Banesto sold its majority stake in the petrol refiner, Petromed, to British Petroleum; 24 per cent of its insurance arm, La Union y Fenix, to France's AGF; and a small subsidiary bank network, Catala de Credit, to a consortium that included the Italian bank San Paolo di Torino.

The pre-tax consolidated profits of the bank's industrial conglomerate, Corporacion Industrial y Financiera de Banesto, showed a 16 per cent fall last year, to Pta27.7bn.

Telefonica, the telecommunications group and one of Spain's foremost corporations reported a net 1991 profit increase of 6.7 per cent.

Telefonica lifted net profits to Pta80bn. In the second half of the year, the telecommunications company reduced its financial charges from 21.3 per cent of income to 16.8 per cent.

● Banco Exterior de España, the state-controlled Spanish retail bank which pooled its business last year with smaller public credit agencies, posted net profits of Pta31.4bn in 1991.

This represents a 47.4 per cent increase on the sum of the profits declared by its constituent banks the previous year.

Sanyo slips 3.8% despite sales rise

SANYO Electric, the Japanese electronics maker, announced a rise of 12.5 per cent in consolidated pre-tax profits, to Y39.9bn ($324.4m) for the year to November, 1991. The result was struck on a 7.8 per cent rise in sales, to Y1,587.1bn, writes Emiko Terazono.

Operating profit rose only 1.9 per cent to Y49.5bn, due to increased competition and foreign exchange losses caused by the yen's sharp rise against the dollar. After-tax profit fell 8.8 per cent to Y16.8bn due to increased corporate taxes.

Petrofina tumbles 25%

By Andrew Hill

CONSOLIDATED profits at Petrofina, the oil company and Belgium's largest industrial group, slipped by nearly 25 per cent in 1991, from BFr21.7bn ($665m) to BFr16.3bn.

The results were hit by the 66 per cent decline in profits at Fina, the group's US affiliate, which made only $42m in the year, compared with $125m in 1990.

Fina reported a 17 per cent drop in the average well-head price for the company's crude oil and natural gas production, and a 15-year low for natural gas prices. A cost-reduction programme is under way, as is the sale of "non-strategic" upstream and downstream assets.

Overall, Petrofina's group production was down 1.4 per cent in 1991, with reserves almost unchanged at 849m barrels. Sales of petroleum products rose 1.4 per cent, despite the recession in its main European and US markets.

The profit figure also included an extraordinary amortisation charge of BFr1.7bn, reflecting the effect of changed accounting rules and adjustments to the value of inventories to bring them into line with market prices.

Akzo to hold its dividend

AKZO, the Dutch chemicals group, is to hold its 1991 dividend at Fl 6.50 ($3.60) despite a substantial increase in provisions to cover reorganisation plans, writes Ronald van de Krol in Amsterdam.

The company's 1991 accounts will include extraordinary charges of Fl 370m resulting from the costs of the reorganisation and unspecified environmental measures. These will be partly offset by extraordinary gains of Fl 200m from divestments and tax credits.

"After taxes, the 1991 extraordinary items total is expected to reduce income by about Fl 110m," Akzo said.

Charges hit CanPac offshoot

CANADIAN Pacific Forest Products suffered a loss of C$571.5m (US$492.6m), or 13 cents a share, in 1991, after special pre-tax charges of C$528m to cover mill shutdowns and a write-down of its packaging business, writes Robert Gibbens in Montreal.

Most of the loss came in the fourth quarter. In 1990, the company lost C$9.4m, or 21 cents a share.

CPFP, 80 per cent owned by Canadian Pacific, is one of Canada's three top newsprint producers. It was this sector that caused most of the problems. CPFP is closing one new mill permanently near Montreal this year, and its packaging business is for sale.

NRI TOKYO BOND INDEX

December 1983 = 100	30/01/92	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	170.98	5.43	171.12	164.73	157.84
Government Bonds	169.92	5.28	170.32	162.75	155.59
Municipal Bonds	172.60	5.85	172.43	167.03	159.83
Govt.-guaranteed Bonds	174.90	5.85	174.61	169.49	162.47
Bank Debentures	166.69	5.17	166.85	161.10	154.81
Corporate Bonds	172.68	6.34	172.28	167.55	160.53
Yen-denom. Foreign Bonds	176.81	6.87	175.01	172.40	166.03
Government 10-year†	5.56		5.53	6.05	6.51

† Estimated par yield

Source: Nomura Research Institute

CONTRACTS AND TENDERS

LEGAL NOTICES

PERSONAL

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Traders undecided on outlook

GILT YIELDS fell slightly as investors were caught undecided about the market's direction over the next few months.

Although recessionary conditions in the UK are unlikely to abate for some time, political and supply factors may push up yields ahead of the general election.

Last week, almost all the movement in the market was at the short-maturing end of the yield curve, where yields for gilts maturing over the next three years moved down by as much as 10 basis points (0.1 per cent). Elsewhere, the change was much more muted.

The switch by investors towards this end of the curve was in line with the general perception that base rates, now at 10.5 per cent, will soon be coming down as part of a broad move towards lower interest rates across Europe.

At the same time, yields for long-dated securities may well stay relatively high due to the large volume likely to go on sale over the next two years to fund the public sector borrowing requirement.

That would lead to a further flattening in the shape of the yield curve. Due to recession and the resulting reduction in inflationary pressures, the curve has, in the past year, lost much of its traditional downward-sloping character.

The moribund state of the UK economy was underlined by last week's industrial trends survey by the Confederation of British Industry, which reported a big drop in business confidence since the autumn.

It also showed that the extreme weakness of demand was continuing to force manufacturers to cut prices, producing inflationary pressures at the factory level.

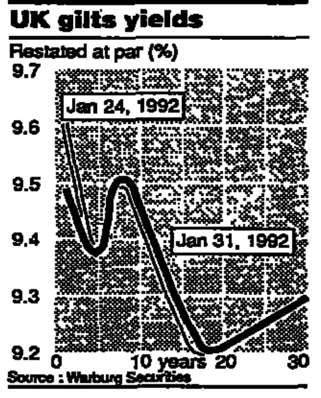
Another sign that the recovery in the UK will be slow, a factor which should put downward pressure on gilt yields over the next six months, came from the most recent figures for UK trade.

The 1.1 per cent growth in import volumes, less oil and erratics, between the third and fourth quarters of 1991 followed a 1.5 per cent rise between the third and second quarters. That was after a 1.3 per cent fall in the second quarter. On one interpretation of the statistics, the slight reduction in import growth in recent months backs up the anecdotal evidence that the upturn from the recession has slipped back.

It could be that the more pronounced upward blip in imports in the third quarter was largely due to factories purchasing stocks of components and other items for goods for exports, a view supported by the surprisingly high growth in export volumes in the final three months of 1991. Not including oil and erratics, exports grew in this period by 2.3 per cent compared with August to October, after a 1.4 per cent decline between the second and third quarters.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

In spite of deflationary conditions, a worry for gilt specialists is the volume of bonds that might be needed over the next two years to pay for increased public sector borrowing.

According to Goldman Sachs, £26.2bn worth of gilts will be sold in 1992-93 by the Bank of England, nearly twice as much as this year. Although one view is that the large supply will push down prices and raise yields, others reckon the worries are overdone and that buyers will emerge for the debt at relatively high prices.

Supporting this theory is the strong buying support for gilts for much of the past year. That was underscored in last week's gilt auction, when the Bank sold £1.8bn of the Treasury 9.75 per cent stock maturing in 2002 at a reasonably high price. The average accepted bid for the gilt was 102⅛, while the lowest was 102⅛. Bids amounted to £3.64bn, giving a bid-to-cover ratio of 2.02, a figure indicating relatively high demand.

In December, domestic institutions bought £977m worth of gilts from the Bank, after £1.2bn in November, while buying support from overseas investors was also high. These groups purchased gilts worth £224m last month, after £83m in November, according to Bank statistics issued last week.

Another problem for the gilt market might be the uncertainty due to the election, which could depress prices.

However, Mr John Shepperd, an economist at Warburg Securities, is generally bullish about gilts. He notes that with inflation falling in the UK, the yield difference between 10-year gilts and the equivalent German bonds will continue to decline. The number stood at more than 200 basis points in mid-1991; it has now come down to about 170 basis points, and Mr Shepperd thinks it will fall to around 120 basis points by later this year.

Peter Marsh

DUTCH GOVERNMENT BONDS

Borrowing programme off to flying start

THOUGH 1992 is barely five weeks old, the Dutch government has already managed to raise more than 40 per cent of its total public borrowing requirement for the year. This is thanks largely to the overwhelming success of two recent state bond issues.

On Wednesday, the finance ministry's agent closed the state's 15-year, 8.25 per cent "tap issue", after raising a total of Fl 5.5bn ($3bn).

The previous Friday, a 10-year bullet bond with the same coupon – sold this time through the standard tender system – attracted successful subscriptions worth Fl 10bn.

These two loans, combined with a late 1991 issue which raised a more modest Fl 2.8bn, mean the ministry has already pulled in Fl 18.3bn, or 40.3 per cent, of the 1992 PSBR of Fl 45.4bn. Analysts believe private placements have probably pushed the figure up to nearly 45 per cent.

With the state's needs covered, no new state issue is expected for the time being, enabling investors to concentrate on existing state loans.

The bullish sentiment that characterised the market in January augurs well for February, though sentiment has been tempered in recent days by the threat of steel industry strikes in Germany.

On Friday, these worries caused the 10-year 8.25 per cent issue to close down nearly 0.20 points at 99.31, for an effective yield of 8.35 per cent, up 3 basis points from Thursday.

The success of the state's 10-year and 15-year loans was due to institutional investors scrambling to buy now that Dutch interest rates – contrary to previous expectations – seem to be heading downwards. Following January's declines in interest rates, pension funds and insurers are keen to lock into current levels before they drop even further.

Foreign institutions were also active buyers, with the 15-year bond in particular helping to satisfy overseas demand for longer maturities.

With Germany facing industrial strife, the guilder market is again benefiting from its reputation as a safe alternative to the D-Mark.

The guilder's favour with foreign investors makes it unlikely that the Netherlands will soon issue its first Ecu-denominated state loan. Mr Wim Kok, finance minister, reiterated last week that he had no objections in principle to Ecu issues, but stressed that the time was not ripe for a Dutch debut on the Ecu stage.

Though Ecu rates had recently fallen to around the levels prevailing in the guilder market, the cost of issuing Ecu loans was still higher than that of guilder-denominated bonds.

"The success of the past two state issues, which raised more than Fl 14bn in the space of a single week, shows that guilder-denominated bonds have not lost any of their attractiveness," he noted.

Ronald van de Krol

US MONEY AND CREDIT

Investor unease over Fed optimism

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	4.50	3.87	3.75	11.00	2.00
Three-month Treasury bills	3.91	3.90	3.93	8.29	3.76
Six-month Treasury bills	4.04	4.06	4.00	7.70	3.95
Three-month prime CDs	4.15	4.15	4.12	7.17	4.01
30-day Commercial Paper	4.05	4.00	4.20	7.12	3.98
90-day Commercial Paper	4.00	4.00	4.10	7.02	3.94

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	97[illegible]	+[illegible]	6.88	6.89	6.48
20-year Treasury	115[illegible]	–[illegible]	7.56	7.49	7.24
30-year Treasury	102[illegible]	–[illegible]	7.76	7.71	7.47

Source: Salomon Bros (estimates).

Money supply: In the week ended January 20, M1 rose by $9.3bn to $912.8bn.

PRESIDENT Bush delivered his much-vaunted State of the Union message last week, but investors in the bond market shrugged off the election year package of tax gimmicks and took their cue instead from Mr Alan Greenspan, the Federal Reserve chairman. His comments in Congress appeared to pour cold water on the prospect of more interest rate cuts in the near term.

Mr Greenspan's declaration that an economic recovery looks likely this spring sent the Treasury bond market into a tail-spin on Wednesday, with a sell-off of a full point on the benchmark 30-year long bond.

Bond investors seem to have over-reacted to the Fed chairman's optimistic prognosis – and they nudged prices upward again later in the week.

The reason the market's reaction to the Fed chairman looked overblown is that Mr Greenspan and most of America's leading economists have been saying for the past 18 months – regularly and quite erroneously – that a US recovery is just around the corner.

What really worried Treasury bond investors was Mr Greenspan's proclamation that the Fed had lowered interest rates "enough" to get the economy moving again. This was taken as a sign that further rate cuts were not imminent, and would probably not be decided at this Tuesday's and Wednesday's meeting of the Fed's Open Markets Committee.

While Mr Greenspan may be returning to his cautious form – convinced that a 100 basis point reduction in the discount rate last December was sufficient to stimulate the economy – the raft of macro-economic statistics available last week suggests a gloomier scenario.

Durable orders were down by 4.9 per cent in December, the biggest such drop since 1982. Had it not been for military orders, the decline would have been 9 per cent.

The Chicago purchasing managers' index fell in January, while the Conference Board said its consumer confidence index fell from 52.5 to 50.4 during the month.

The continuing lack of confidence among US consumers was highlighted in New York last week, when Macy's, a pillar of the retail market, filed for protection from creditors under Chapter 11 of US bankruptcy law. TWA followed Macy's with its own Chapter 11 filing later in the week.

Leading economic indicators for December meanwhile declined by 0.3 per cent, worse than expected. New home sales in December were down by 6.6 per cent, closing out a year that experienced a 5.6 per cent decline, the third year in a row of declining sales.

All of this made last week quite volatile in terms of Treasury bond price movements. However, the bad news eventually outweighed Mr Greenspan's curious optimism, and the benchmark 30-year bond ended the week less than half a point down at 102¾, yielding 7.75 per cent.

The yield was thus little changed on the week, although some 30 basis points higher than at the end of December.

These statistics – and this week's expected offering – do not paint a picture of a speedily recovering economy. Today, for example, the national purchasing managers' composite index is expected to be little changed from its December level of 47.4.

On Thursday, factory orders for December are likely to be lower, while non-farm payrolls should show a further decline in manufacturing employment and a higher overall unemployment rate.

One economist who does not believe Mr Greenspan when he demurs on further interest rate cuts is Mr Phillip Braverman, of DKB Securities. Mr Braverman, who noted on Friday that the 1990-1992 US recession was by far the longest and, by some measures, the worst since the depression of the 1930s, reckons real GDP will sink in the first quarter of 1992. He is also one of the few US forecasters to suggest "there could be no recovery at all this year".

In such an environment, says Mr Braverman, the Fed would have no choice but to ease further and substantially. He is looking for a Fed funds rate (now 4 per cent) of 3.5 per cent by the end of March, and as low as 3 per cent later this year.

If one accepts the present round of statistics and takes a bearish view of supposed US recovery prospects, there should be an improvement in the Treasury market's fortunes, on the grounds that bad economic news drives bond prices higher.

However, the effect of Mr Greenspan's caution on the interest rate front could be strong, and may well lead to a period of stasis in the market, at least in coming weeks.

Alan Friedman

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	107	[illegible]	6.04
ABN 9 1/8 94	200	105[illegible]	[illegible]	6.47
AETNA LIFE & CAS 7 3/4 16	200	101[illegible]	[illegible]	7.61
ALBERTA PROVINCE 8 5/8 96	750	106[illegible]	[illegible]	7.07
ALBERTA PROVINCE 9 3/8 95	600	108[illegible]	[illegible]	6.67
AMERICAN EXPRESS ZERO 00	450	47[illegible]	[illegible]	8.76
AMERICAN GENERAL 9 3/4 95	100	106[illegible]	[illegible]	7.49
AMERICAN INTL 0 04	750	35[illegible]	[illegible]	8.64
ASIAN DEV BANK 0 04	1000	36[illegible]	[illegible]	8.40
ASIAN DEV BANK 8 96	100	103[illegible]	[illegible]	7.15
AUSTRALIA 11 95	200	112	[illegible]	6.82
[illegible]				

	Issued	Bid price	Chg on week	Yield
SAS 10 99	200	105[illegible]	[illegible]	8.84
SAS 10 1/8 95	150	107[illegible]	[illegible]	7.73
SBAB 9 1/2 95	500	108[illegible]	[illegible]	6.64
SBC FINANCE 7 3/4 96	200	103[illegible]	[illegible]	6.89
SEAGRAM CO 8 1/2 96	100	102[illegible]	[illegible]	7.77
SEARS EURO TRUST 8 3/4 96	750	103	[illegible]	7.87
SEARS O/S FIN 0 98	500	57[illegible]	[illegible]	8.85
SEARS ROEBUCK EURO 9 3/4 95	500	105[illegible]	[illegible]	7.81
SNCF 7 1/4 94	175	103	[illegible]	5.62
SNCF 9 1/2 98	150	110	[illegible]	7.48
STATE BK NSW 8 1/2 96	200	104	[illegible]	7.39
STATOIL 7 5/8 94	200	102[illegible]	[illegible]	6.41
[illegible]				

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	93	[illegible]	6.66
AUSTRIA 4 5/8 98	100	90[illegible]	[illegible]	6.33
CHUBU ELEC POWER 6 3/4 01	300	100	[illegible]	6.74
COUNCIL EUROPE 4 3/4 98	250	90	[illegible]	6.82
EEC 5 1/2 00	100	91		6.89
EIB 6 1/2 98	600	100[illegible]	[illegible]	6.39
ELEC DE FRANCE 7 1/4 06	100	103[illegible]	[illegible]	6.85
FINLAND 5 3/8 96	150	[illegible]		[illegible]
GENERAL MOTORS 7 1/2 95	100	100	[illegible]	7.49
JAPAN DEV BK 5 1/2 94	100	97[illegible]	[illegible]	6.86
KOBE 6 3/8 01	240	98	[illegible]	6.66
[illegible]				

	Issued	Bid price	Chg on week	Yield
OSAKA PREFECTURE 8 1/2 94	140	105[illegible]	[illegible]	6.06
OSTER KONTROLLBANK 8 1/2 01	200	104[illegible]	[illegible]	7.77
OSTER KONTROLLBANK 9 95	200	107[illegible]	[illegible]	6.44
OSTER POSTSPARK 10 1/2 94	150	108[illegible]	[illegible]	6.08
PANASONIC FIN 9 3/8 94	300	106[illegible]	[illegible]	5.95
PETRO-CANADA 7 1/4 96	200	101[illegible]	[illegible]	6.89
PETROBRAS 10 96	200	95	[illegible]	11.74
PHILIP MORRIS 9 7/8 98	200	105[illegible]	[illegible]	8.61
PROCTER & GAMBLE 10 95	150	102[illegible]		9.05
PRUDENTIAL FIN 8 1/4 01	300	[illegible]	[illegible]	8.43
PRUDENTIAL RLTY SECS 0 99	365.214	57[illegible]	[illegible]	8.21
QANTAS AIRWAYS 8 5/8 96	97.75	105	[illegible]	7.18
QUEBEC HYDRO 9 01	300	104[illegible]	[illegible]	8.27
QUEBEC HYDRO 9 3/4 98	150	109[illegible]	[illegible]	7.85
QUEBEC PROV 9 96	200	105[illegible]	[illegible]	7.76
QUEENSLAND GOVT 10 1/4 95	100	109[illegible]	[illegible]	7.02
RALSTON PURINA 11 3/4 95	150	112	[illegible]	7.43
REED PUBLISHING 9 5/8 97	150	107[illegible]	[illegible]	7.80
SAINSBURY 9 1/8 96	150	106[illegible]	[illegible]	7.44

DEUTSCHE MARK STRAIGHTS	Issued	Bid price	Chg on week	Yield
[illegible]				
WORLD BANK 7 1/8 95	500	98[illegible]	[illegible]	7.66

EQUITY WARRANTS	Expiry Date	Bid price	Chg on week	Prem
[illegible]				
YAMANOUCHI PHARM	01/03/94	18[illegible]	[illegible]	18.41

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective-price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on January 31

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Middle East deals hold the limelight

THE Middle East has emerged as an important source of large syndicated loans over the past year in an otherwise drought-stricken market.

The latest Middle Eastern borrower to tap the international loans market is Saudi European Petrochemicals Corporation – or Ibn Zahr – which has launched a $500m eight-and-a-half-year term loan.

The deal follows the huge syndicated loans to Saudi Arabia and Kuwait, which raised $4.5bn and $5.5bn respectively in the international markets last year.

Other Middle Eastern deals in preparation include a large loan to Saudi Aramco, the Saudi Arabian oil group, and a large project financing for an MTBE (methyl tertiary butyl ether) plant in Qatar.

Kuwait Airways has also been in discussions with bankers recently about financing the purchase of new aircraft since much of its fleet was destroyed in the Iraqi invasion.

The Kuwaiti airline signed a $2bn contract with Airbus last year for up to 24 new aircraft. Bankers in London say there are rumours of a Kuwaiti oil project financing as well.

Originally, Ibn Zahr planned to borrow $600m, but now it has decided to reduce the loan to $500m, having made some savings on the project costs.

The funds are intended to cover two particular projects. The first is the expansion of an existing MTBE facility. The second project is the construction of a polypropylene plant. Both plants are expected to come on stream in 1993.

The deal has been underwritten by The National Commercial Bank (the agent), Riyad Bank (the book-runner), Saudi American Bank and Saudi French Bank.

The borrower (70 per cent-owned by Saudi Basic Industries Corporation – or Sabic, the Saudi Arabian petrochemical group, which is itself 70 per cent-owned by the Saudi government) carries a full 100 per cent risk weighting for capital adequacy purposes.

Bankers say this factor is reflected in the overall pricing on the deal. While the interest margin over the London inter-bank offered rate (Libor) is relatively tight, the front-end fees are considered generous.

Ibn Zahr is paying a margin of 50 basis points over Libor, against the 37.5 basis points the Saudi government is paying on the $4.5bn syndicated loan launched last May (in the case of the Saudi government, the borrower has a zero risk rating).

The front-end fees are 75 basis points for banks lending $40m, 65 basis points for $30m, 50 basis points for $20m, and 40 basis points for $10m.

Less attractive, however, is the commitment fee structure of 25 basis points on available amounts and 12.5 basis on unavailable amounts. Many bankers dislike being paid less on unavailable amounts. They argue that even if the borrower does not use the full loan initially, the banks still have to be prepared to lend the full sum.

However, with so many Middle Eastern deals in the pipeline, bankers who dislike this two-tier structure can probably afford to wait for a more attractive loan.

Sara Webb

EUROMARKET TURNOVER ($m)

	Primary Market US $	Primary Market Non-$	Secondary Market US $	Secondary Market Non-$
Fixed income bonds				
Euros straight	2,531.4	3,913.5	24,792.6	62,396.5
Other straight	0.0	906.5	1,232.3	120,275.1
Convertible	200.0	0.0	1,362.4	1,563.7
Money market instr				
FRN	201.2	966.0	5,654.6	5,795.7
CD's	307.0	53.3	958.2	309.9
Short $ MT Notes	15,736.6	4,984.6	7,160.5	17,694.4
Warrants	0.0	0.0	738.7	418.4
Equities	1.6	0.0	258.2	1,260.0
Total	18,977.8	10,843.9	42,157.5	209,613.7

	Cedel	Euroclear	Total
US$	19,784.2	41,351.1	61,135.3
Other	74,445.6	146,012.0	220,457.6

Week to January 30, 1992
The Warrants and Equities figures are from Euroclear only

Source ISMA

INTERNATIONAL BONDS

Ecu sector keeps pace with France and Germany

THE ECU bond market, one of the beneficiaries of the shift of assets into European bond markets, has kept pace with France and Germany so far this year, despite a heavy supply of new issues.

In January, the market absorbed over Ecu5bn of fixed-rate and floating-rate Eurobonds, compared with Ecu25bn for the whole of 1991, itself a record year. However, the current pace of activity is unlikely to be maintained. Indeed, signs that the market could face the same problems of oversupply which knocked it off its feet for much of last year would be most unwelcome.

Uncertainty over the future of the currency may have been removed at Maastricht. But, from a technical point of view, the Ecu market has appeared expensive compared with its constituent bond markets since the Maastricht conference, prompting some concern about the market's continuing appeal. Ecu bonds trade at a yield around 60 basis points below the 10-year theoretical yield – that is, the weighted average of yield of each of the component bond markets.

Some institutional investors have been eschewing the market, on the grounds that French franc or D-Mark bonds offer better value, or constituting their own Ecu baskets.

However, many bond analysts expect the longer end of the yield curve to outperform short-dated Ecu bonds, assuming that European monetary union goes ahead as planned. Consequently, they believe the Ecu bond yield curve will become more inverted. However, this will largely depend on the performance of the underlying markets.

Bonds maturing in 10 years or more will be redeemed after monetary union, which removes some of the currency risk for investors. There is a risk that bonds maturing in, say, five years could suffer from the devaluation of one of the component currencies ahead of monetary union.

France's recent issue of 30-year Ecu bonds, under its OAT programme, has performed strongly, and is now yielding 8.36 per cent, less than the 10-year Ecu OAT.

The UK's first issue of three-year Treasury notes has performed rather disappointingly, on the other hand, despite being bid very aggressively ahead of the auction last month.

The yield on the UK Ecu note, from 8.48 per cent at the tender, has widened to 8.61 per cent, and dealers report a disappointing level of investor interest.

Nevertheless, the three- and 30-year issues from France and the UK have provided a useful function in extending the yield curve.

Last year, a flood of new issues, mainly by sovereign borrowers, in the first few months deluged the market, causing a substantial setback. Traders are hoping the same problems of oversupply will not recur this year, partly because many sovereign borrowers are instituting more regulated systems for tapping the market, in some cases via domestic auctions in their own markets. For example, Denmark and Belgium both plan to issue bonds in their domestic markets this year.

The UK will be issuing through its T-note programme, while France will continue to supply the market through OAT issues.

However, the investor base will still be the same as for Eurobond issues. In addition, a number of other sovereign issuers – Spain, Portugal and Norway, for example – may tap the market.

The motivation for domestic issuance is based on self-interest as much as a desire to regulate the market: European financial centres are keen to attract Ecu trading business.

For the moment, the bulk of Ecu bond trading is still conducted in London, but futures trading is based in Paris. The Matif, the French futures exchange, traded 5,000 Ecu bond futures contracts on Friday, compared with just 100 on the London International Financial Futures Exchange.

However, the market is still driven by cash-market trading. Indeed, many dealers prefer to hedge trading positions through sovereign benchmark bonds, rather than the futures market, because of liquidity concerns.

Competition in the market remains intense. Although still relatively small compared with government bond markets, it is a market which many banks feel they cannot afford to ignore.

● Yamaichi International, which became the 41st market maker in Ecu Eurobonds last month, yesterday launched an Ecu500m seven-year issue for Finland, priced to yield 8.45 per cent, which was considered the most aggressively priced deal so far this year.

There is little outstanding paper in the seven-year area, but the deal was priced more tightly than Belgium's 9¼ per cent bonds due 1996, yielding 8.56 per cent, or the 9½ per cent French OAT due 2000, yielding 8.50 per cent. Finland, which recently devalued its currency and was downgraded, is considered a declining credit.

Yamaichi pointed to a European Community deal due 1998 yielding 8.30 per cent, but other dealers said that deal was trading very tightly.

The deal closed at 99.60 bid, just below the fixed re-offered price, according to the lead manager.

Tracy Corrigan

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Okura & Co.(c)♦†	100	1996	4	$3\frac{1}{8}$	100	Daiwa Europe	3.125
C.Itoh Fuel Co.(f)♦†	100	1996	4	$3\frac{1}{8}$	100	Nikko Europe	3.125
Dowa Mining Co.(d)♦†	80	1996	4	$3\frac{1}{8}$	100	Nikko Europe	3.125
Hanwa Co.(w)♦†	380	1996	4	$3\frac{1}{8}$	100	Yamaichi Int.	3.125
Chugoku Elec.Power†	250	1997	5	7	99.81	Goldman Sachs	7.046
Lg Term Crdt Bk.Finance‡†	120	2002	10	(o)	101.55	LTCB Intl.	-
T'commun.d.S. Paolo(p)†	100	1995	3	10	95.44	Banque Indosuez	12.02
Optec Dai-ichi Denko♦	100	1996	4	$3\frac{1}{8}$	100	Yamaichi Int. (Europe)	3.125
MBE Finance NV(q)‡†	50	2002	10	(q)	102	Mits'shi Finance Intl.	-
IADB†	400	1997	5	$6\frac{3}{4}$	101.51	Cred.Suisse F.Boston	6.392
STERLING							
Nationwide Building Soc.(k)‡†	50	1995	3	(k)	99.53	Samuel Montagu	-
Britannia Building society†	100	2000	8	$10\frac{1}{2}$	98.55	UBS	10.775
Enterprise Oil Plc†	100	1996	4	$10\frac{5}{8}$	101.08	S.G.Warburg Secs.	10.331
GEFCO(v)†	100	1994	2	$11\frac{1}{4}$	102.21	Baring Brothers	9.944
AUSTRALIAN DOLLARS							
Toronto-Dominion†	75	1997	5	10	101.8	Westpac Banking	9.539
BNP†	100	1999	7	$10\frac{1}{2}$	101.7	Hambros Bank	10.155
St.Bk of New South Wales(a)†	100	2002	10	$10\frac{3}{4}$	99.85	Deutsche Bk.Cap.Mkts.	10.775
D-MARKS							
National Bk of Hungary†	600	1999	7	$10\frac{1}{4}$	$100\frac{1}{4}$	Deutsche Bank	10.199
SWISS FRANCS							
Goldwin Inc.(a)★★♦†	100	1996	-	$4\frac{1}{4}$	100	Yamaichi Bk (Switz)	4.250
Catena Corp(b)★★§†	80	1996	-	$4\frac{5}{8}$	100	Nomura Bk (Switz)	4.678
Nissaki House Ind.(j)★★§†	50	1996	-	$4\frac{3}{4}$	100	J Henry Schroder Bk	4.806
JSP Corp(n)★★§†	20	1996	-	$6\frac{7}{8}$	100	Nomura Bk (Switz)	6.993
Electricite de France(f)†	150	2002	-	$6\frac{1}{2}$	$101\frac{7}{8}$	SBC	6.245
Arbed(g)†	150	2002	-	$7\frac{1}{4}$	$101\frac{1}{2}$	UBS	7.038
G.Mt.Bk.K'dom.of Sweden(l)†	100	2002	-	$7\frac{3}{8}$	101	Credit Suisse	7.233
C.Nat.d'Credit Agricole(m)‡†	75	1999	-	(m)	$101\frac{1}{4}$	SBC	-
Daiko Denshi Tsushin★★♦	55	1996	-	$4\frac{1}{8}$	100	Daiwa Securities	4.125
FRENCH FRANCS							
EIB†	3bn	2002	10	8.5	(u)	CCF	10.775
ECU							
European Investment Bk.‡†	500	2002	10	(r)	(r)	UBS	-
KFW Intl.Finance†	250	1997	5	$8\frac{1}{2}$	101.585	Deutsche Bk.Cap.Mkts.	8.108
City of Gothenburg(s)†	50	1997	5	$9\frac{1}{8}$	103.125	SBC	8.339
Brit.Gas Intl.Finance†	150	1997	5	$8\frac{3}{8}$	101.325	Deutsche Bk.Cap.Mkts.	8.048
Republic of Finland(a)†	500	1999	7	$8\frac{3}{8}$	101.195	Yamaichi International	8.148
SWEDISH KRONOR							
Deutsche Bk Finance.NV†	500	1997	5	$10\frac{1}{4}$	$101\frac{1}{2}$	Deutsche Bk Cap.Mkts.	9.863
The World Bank(a)†	500	1997	5	10	$101\frac{3}{8}$	Deutsche Bk Cap.Mkts.	9.692
ABB Finance Inc.(a)†	300	1994	2	11	$101\frac{1}{8}$	Deutsche Bk Cap.Mkts.	10.363
CANADIAN DOLLARS							
Toyota Motor Credit Corp†	125	1995	3	8	100.55	Wood Gundy	7.629
LIRE							
Kredietbank Intl.Finance†	150bn	1996	4	11.60	101.6	Bc.Nazionale d.Lavoro	11.094
YEN							
National Bk of Hungary(e)†	30bn	2002	10	7	101	Daiwa Securities	6.978
Canon Inc†	20bn	1997	5.25	5.85	$101\frac{1}{2}$	Daiwa Europe	5.516
Canon Inc†	20bn	1996	5.25	5.8	$101\frac{1}{4}$	Yamaichi Intl.(Europe)	5.465
Mitsui Osk Lines(a)†	15bn	1999	7.25	5	101.8	Daiwa Europe	5.692
LUXEMBOURG FRANCS							
Cregem Int. Bk.★★†	400	1994	$2\frac{1}{3}$	$9\frac{1}{2}$	102.3	Cregem Int.	8.367
Svenska Handels'bken.(h)†	1bn	2000	8	$8\frac{7}{8}$	101.95	BIL	8.534
Bque.Cont.de Lux.(h)†	600	1999	7	$8\frac{7}{8}$	102	Bque. Paribas Lux.	8.490
BBL International NV (h)†	1bn	2001	9	$8\frac{3}{4}$	$101\frac{3}{8}$	Credit European	8.528
Fuji Bank SA (h)†	300	1999	7.17	$8\frac{7}{8}$	101.8	BGL	8.53

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate notes. ◆Variable rate note. †Final terms. a) Exercise premium fixed at 2.57%. Callable 8/2/94 at 101% declining ¼% semi-annualy. b) Conversion premium fixed at 2.51%. Put option 30/9/94 at 110% to yield 8.288%. c) Exercise premium fixed at 2.54%. Non-callable. d) Exercise premium fixed at 2.87%. Non-callable. e) Samurai bond. Coupon payable semi-annualy. f) Callable after 7 years at 101¼% decreasing by ½% annually. g) Callable after 8 years at 101% decreasing by ½% annually. h) Subordinated issue. Non-callable. i) Exercise premium fixed at 2.53%. Non-callable. j) Exercise premium fixed at 2.52%. Callable 30/9/92 at 101¾% declining by ¼% semi-annually. Put 30/9/94 at 109⅞% to yield 8.178%. Coupon payable semi-annually. k) Fungible with existing £150m issue. Coupon 10bp over 3-month Libor. Non-callable. l) Subordinated issue. Non-callable. m) Reverse FRN issue. Coupon pays 12¼% minus 6-month Libor. Minimum coupon 4%. Non-callable. n) Conversion premium fixed at 2.50%. Non callable. Coupon payable semi-annually. o) Coupon pays for first 3 years 6 month Libor plus 50bp. Then pays 9½%. call after 3 years at 100%. p) Coupon payable semi-annually. Put option after 2 years at 97.57. Fees ⅝ selling. q) Callable 21/2/1995 at par. Coupon pays for first 3 years 6 month Libor plus 50bp then pays 9% thereafter. r) Coupon pays 6 month Libor minus ⅛%. Fixed reoffer at 99.725. Call option on 18/2/93 then annually thereafter at 100. s) Fungible bringing issue size to 150m Ecu. Non-callable. t) Amount increased from 500m. Non-callable. u) Fixed reoffer and issue price at 99.12. Fees 32.5/17.5bp. Non-callable. v) Fungible with 250m sterling bond issued in 1991. Non-callable. w) Conversion premium fixed at 2.53%. Non-callable.

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Jan 31	Jan 30	Jan 29	Jan 28	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	3223.39	3244.86	3224.96	3272.14	3272.14 (28/1)	3172.41 (2/1)	3272.14 (28/1/92)	41.22 (2/7/32)
Home Bonds	98.98	99.15	99.43	99.56	99.61 (17/1)	98.96 (2/1)	99.61 (17/1/92)	54.99 (1/10/81)
Transport	1354.26	1368.27	1348.65	1356.32	1445.81 (16/1)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	210.38	211.13	212.13	213.51	225.59 (3/1)	210.38 (31/1)	236.23 (2/1/90)	10.50 (8/4/32)

◊Day's High 3274.37 (3269.68) Low 3207.96 (3204.61)

STANDARD AND POOR'S

	Jan 31	Jan 30	Jan 29	Jan 28	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	408.78	411.62	410.34	414.96	420.77 (15/1)	408.78 (31/1)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	485.57	488.61	486.47	492.48	499.27 (15/1)	485.57 (31/1)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	33.53	34.02	34.09	34.54	35.14 (15/1)	33.53 (31/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	226.20	227.37	226.64	228.95	231.85 (15/1)	226.20 (31/1)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	411.37	410.92	409.64	412.71	415.33 (20/1)	395.51 (2/1)	415.33 (20/1/92)	29.31 (9/12/72)
NASDAQ Composite	620.21	621.37	616.31	621.29	630.82 (15/1)	586.45 (2/1)	630.82 (15/1/92)	54.87 (31/10/72)

	Jan 24	Jan 17	Jan 10	year ago (approx.)
Dow Industrial Div. Yield	2.87	2.83	2.89	3.88

	Jan 29	Jan 22	Jan 15	year ago (approx.)
S & P Industrial div. yield	2.59	2.53	2.52	3.20
S & P Ind. P/E ratio	25.10	25.60	25.76	16.58

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
RJR Nabisco	3,958,600	10⅛	—
Advanced Micro	2,596,000	18⅞	-⅛
Glaxo ADR	2,317,600	30¼	+⅛
AMR	2,242,400	70¼	-¼
Limited	2,008,200	30⅞	+¼
Citicorp	1,905,500	15	-¼
Coca Cola	1,819,100	77⅛	+½
Amer Waste	1,813,300	5⅛	—
Amer Express	1,812,300	20⅝	-1⅛
Am T&T	1,788,700	37¼	-¼

TRADING ACTIVITY

† Volume Millions	Jan 31	Jan 30	Jan 29
New York SE	197.060	194.670	248.900
Amex	16.342	13.823	20.912
NASDAQ	(u)	216.204	248.238
NYSE			
Issues Traded	2,172	2,180	2,202
Rises	742	881	650
Falls	927	808	1,042
Unchanged	503	491	510
New Highs	82	82	123
New Lows	7	9	7

CANADA

TORONTO	Jan 31	Jan 30	Jan 29	Jan 28	1992 HIGH	1992 LOW
Metals & Minerals	3017.05	3051.55	3078.97	3140.55	3238.87 (16/1)	2935.22 (2/1)
Composite	3596.12	3605.80	3598.61	3623.25	3666.00 (16/1)	3493.66 (2/1)
MONTREAL Portfolio	1884.47	1893.78	1888.35	1903.47	1937.59 (16/1)	1856.55 (2/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan 31	Jan 30	Jan 29	Jan 28	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1619.5	1612.5	1622.1	1625.9	1675.6 (15/1)	1612.5 (30/1)
All Mining (1/1/80)	687.9	683.6	685.8	686.3	703.5 (20/1)	660.3 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	420.46	416.44	413.59	413.96	420.46 (31/1)	372.24 (2/1)
BELGIUM						
BEL20 (1/1/91)	1180.23	1176.49	1181.80	1183.78	1183.78 (28/1)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	362.47	360.96	361.40	362.63	365.29 (15/1)	354.37 (2/1)
FINLAND						
HEX General (28/12/90)	887.7	884.9	884.6	887.1	894.5 (16/1)	779.0 (2/1)
FRANCE						
CAC General (31/12/82)	504.72	502.28	508.41	503.98	508.41 (29/1)	475.53 (2/1)
CAC 40 (31/12/87)	1875.25	1873.94	1879.64	1890.60	1890.60 (28/1)	1749.92 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	683.17	679.34	680.93	682.98	687.20 (21/1)	643.26 (8/1)
Commerzbank (1/12/53)	1933.5	1923.0	1927.5	1931.1	1943.5 (21/1)	1813.8 (8/1)
DAX (30/12/87)	1687.49	1680.91	1672.40	1683.08	1687.49 (31/1)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4601.78	4571.47	4571.13	4586.33	4625.84 (23/1)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1453.42	1452.73	1454.43	1452.10	1469.57 (17/1)	1391.49 (8/1)
ITALY						
Banca Com. Ital. (1972)	541.37	537.81	545.07	545.31	551.03 (16/1)	507.43 (2/1)
JAPAN						
Nikkei (16/5/49)	22023.05	21557.67	21362.26	21398.52	23801.18 (6/1)	20858.30 (21/1)
Tokyo SE (Topix) (4/1/68)	1630.94	1598.35	1584.73	1583.47	1763.43 (6/1)	1569.43 (21/1)
2nd Section (4/1/68)	2363.84	2319.90	2290.16	2283.71	2459.85 (6/1)	2283.71 (28/1)
MALAYSIA						
KLSE Composite (4/4/86)	570.64	568.75	573.28	569.84	573.28 (29/1)	546.63 (14/1)
NETHERLANDS						
CBS Trd.Rtn.Gen.(End 1983)	287.1	286.4	286.7	288.4	289.1 (21/1)	274.0 (8/1)
CBS All Shr (End 1983)	201.6	201.1	201.4	202.6	203.0 (21/1)	192.4 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	721.23	715.71	712.52	722.81	748.03 (17/1)	678.99 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1255.97	1231.03	1242.04	1250.59	1303.30 (17/1)	1172.78 (2/1)
SINGAPORE						
SES All-Singapore (2/4/75)	413.21	412.32	413.88	414.92	416.99 (21/1)	401.19 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1246.8	1274.0	1274.0	1258.0	1327.0 (21/1)	1119.0 (2/1)
JSE Industrial (28/9/78)	4401.0	4423.0	4422.0	4426.0	4535.0 (15/1)	4169.0 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	680.51	664.13†	659.28	665.96	680.51 (31/1)	604.63 (15/1)
SPAIN						
Madrid SE (30/12/85)	255.03	253.88	253.87	255.06	258.50 (15/1)	238.93 (2/1)
SWEDEN						
Affarsvariden Gen. (1/2/37)	970.10	967.5	973.7	983.3	989.2 (20/1)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	774.2	772.7	773.4	779.6	779.8 (15/1)	748.5 (8/1)
SBC General (1/4/87)	626.6	624.7	625.5	631.7	631.7 (27/1)	601.1 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	(c)	5391.63	5390.05	5312.67	5391.63 (30/1)	4692.17 (6/1)
THAILAND						
Bangkok SET (30/4/75)	763.45	764.70	768.57	766.73	781.63 (24/1)	711.81 (3/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	526.1*	522.9	522.1	522.7	542.1 (7/1)	520.1 (13/1)

** Saturday January 25: Taiwan Weighted Price: 5298.99; Korea Comp Ex. 664.29.
& Subject to official recalculation. † Correction. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 31 January 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	12.6m	360	+8	Hitachi	3.7m	932	+10
Nippon Steel	4.9m	382	+10	Toshiba	3.7m	680	+11
M'bishi Mat'ls	4.7m	524	+19	Amada Wasino	3.5m	660	+6
NKK	4.1m	336	+9	Toray Inds	3.2m	650	+14
Showa H'polym	3.8m	1,070	-30	M'bishi Heavy	3.2m	658	+20

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● Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to1100 hours; (♦) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	50 40	50 40	50.90	10 6	45246
Courtld Prifmace	5½	49.50	49 80	53 72	9 04	46075
Ethical	5½	47 85	48 81	51 93	4 91	46998
European Growth	5½	47 65	47 86	51 05	3.0	46171
Income	5½	45 64	46.21	49 29	7 96	41394
Intl Growth	5½	66.11	66 15	70 56	3 12	41395
Managed	5½	58.58	58 94	62 87	4 42	41396
UK Growth	5½	50 01	50.67	54.05	5 79	41397
Standard Chartered Equitor (1200)F						
69 Old Broad Street, EC2M 1QS 071-280 6521						
Mngd Exempt Acc	3	195 6	197.8xd	206.0	3 05	41499
Do Income	3	183 0	185 0xd	192.7	3 05	41322
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	36 15	36 15	38.41	2 31	41398
UK Equity Gth Acc	5¼	49 47	50.37	53.52	1.85	41399
UK Eq High Inc Inc	5¼	28 64	29.36	31 20	6 47	41400
UK Eq High Inc Acc	5¼	32.21	33 01	35 08	6 47	46962
UK Equity Gen Acc	5¼	46 00	46 74	49 67	3 41	41401
UK Equity Gen Inc	5¼	35 99	36.58	38.87	3 41	41402
UK Larger Cos Acc F	7½	303 7	307 6	333.8	4 65	41403
UK Larger Cos Inc F	7½	244.5	247 6	268.7	4 65	41404
Gilt & Fxd Int Inc	5¼	28 20	28 27	29 90	7 43	41405
O'seas Larg Cos Acc F	7½	211 7	215 2	233.5	2 09	41406
Nth American Acc	5¼	36 23	36.36	38 64	0 72	41407
Far East Acc	5¼	39 62	40 63	43.17	–	41408
European Acc	5¼	34 36	35 69	37 93	1.65	41409
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	298.8	298.8	318.9	0 73	41410
(Accum Units) ♥	5	351.7	351.7	375.3	0 73	41411
British	5	802.4	815 4	862.7	6.01	41416
(Accum Units)	5	1318.3	1339 7	1417 4	6 01	41417
European	5	326 6	326 6	347.5	1.44	41418
(Accum Units)	5	354 0	354 0	376 7	1 44	41419
Japan	5	109.5	109.5	116.5	–	41420
(Accum Units)	5	110 4	110.4	117.4	–	41421
New Pacific	5	183 6	183.6	195 7	1.77	46365
(Accum Units)	5	188.6	188 6	201 0	1.77	47954
PEP Jan 22	5	148.0	149 6	158.3	3 55	47588
Mngd Equity	5	125 2	126.5	133 8	3 39	47586
Mngd Equity Acc	5	132.8	134 2	142 0	3 39	48556
Mngd Cash	0	95 99	95 99	95 99	10 29	47585
(Accum Units)	0	118.3	118.3	118.3	10 29	40267
Majority Stlg	1	100 03	100 03	101.03	10 19	45703
Majority Stlg Acc	1	108.93	108 93	110 02	10 19	46699
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing 0277 261010						
International Jan 31	0	50 59	50 59xd	51.12	3 03	46906
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham 0403 232323						
Equity	6	606 6	614.3xd	657 0	3.03	41423
North America	6	85.10	85 10xd	91.02	0.65	41424
Far East	6	87 77	89 01xd	95 20	1.07	41425
W'wide Bond	6	48.80	48.80	51.91	6.30	41426
European	6	67.16	67.16	71 83	1.62	41429
Equity Income	6	65 42	65.42xd	69 97	5 75	41430
Portfolio	6	57.81	57 81	61 83	2.26	41431
Broker Trusts						
Worldwide Growth	6	47 00	47 00	50.00	2.23	–
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants 0800 525725						

	Bid Price	Offer Price	Yield Gross	City-line
Funds in Court*				
Capital Jan 16	495 45	499 11	2 83	40505
Gross Jan 16	170.31	171.68xd	11.36	40506
High Yield Jan 16	280.23	282 47	7 79	40507
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	53.25	54 35	3 86	40676
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Follo.	1173 0	1266 0xd	–	46964
Mngd Pens (Acc)	66 7	71.1	–	41007
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440 0	2680 0	7.00	40777
Inc Gth Prp Jul 31	£1375 0	1460.0	8.90	40778
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Jan 31	£3888 1	4058.9	3.91	40766
European Jan 31	£568.1	574.3	1.33	40776
American Jan 31	£362.6	366	2.22	40773
Japan Jan 31	£475.9	481 3	1.35	40774
Pacific Jan 31	£142.3	146 2	1.89	40775
W Midlands Sep 30	£136.50	152.30	2.48	40771
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Dec 31	196 75	200 75	7 88	40825
Equity Dec 31	845.45	857 30	3 99	40826
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Jan 30	105.85		10.19	40883
(Accum Units)	624 64		10.19	40884
NAACIF Jan 28	41.01		9.57	46917
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Jan 31	128 2	137.7	1.97	46925
UK Small Co † Jan 31	519 0	569 5	3.51	46926
Fixed Interest † Jan 31	111.4	117.2	8.54	46920
US Small Co Jan 31	176.9	189.2	0.00	46927
Managed Jan 31	108.8	116.4	3.40	46924
Intl Bond Jan 31	121.6	128.2	10 01	47790
Japan Jan 31	70.54	75.22	3 90	47877
European Jan 31	89.65	95.98	1 78	47876
Nth American Jan 31	119.4	128 5	1.25	47878
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Jan 29	54.19	56.35xd	2.02	41064
Euro Expt Jan 29	52.32	54.94xd	2.45	41065
Fixed Int Ex Jan 29	47.34	48.52xd	8.97	46594
Japan Expt Jan 29	43.05	44.78	0.84	41066
Managed Ex Jan 30	45.20	47.01	4.28	41067
SE Asia Expt Jan 29	75.52	79.30	2.56	41068
Sm Cos Expt Jan 29	35 27	37.04	3.58	41069
UK Eqty Ex Jan 29	43 15	45.31	3.87	41070
Phillips & Drew Fund Management Ltd				
Small Co's Dec 4	691.76	736.68	4 41	41138
Do Accum	796 96	848.48	4 41	41139
Int. Expt Jan 30	184.17	187 99	1.97	41140
UK Index Dec 4	1128 81	1142 40	4 70	46945
Do Accum	1237 05	1252.82	4.70	46946
Convertible Jan 27	93.27	96.18	5.97	46938
World ex UK Index Jan 28	791.84	801.62xd	1.86	47887

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CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Volatility continues

The volatility which has dominated the foreign exchange markets this year shows no signs of abating, *writes Simon London.*

This was clear in the dollar's behaviour against the D-Mark last week. On Monday, the US currency strengthened from DM1.59 to nearly DM1.62 on the absense of concrete exchange rate policies from the Group of Seven meeting. Many analysts had expected an agreement to moderate any appreciation of the dollar.

However, the dollar had tumbled back as low as DM1.5850 by Wednesday as weak consumer confidence figures underlined the deep malaise of the US economy. Yet by mid-week it rallied back to DM1.62 following comments by Mr Alan Greenspan, Federal Reserve chairman, that US interest rates were unlikely to be cut again.

Finally, on Friday, the US unit lost more than 2 pfennigs in 20 minutes on the announcement that German steel workers had voted in favour of strike action in pursuit of higher pay.

This underlines that there is no consensus among analysts and traders on three important issues; the prospects for US economic recovery, whether US interest rates will be cut, and when German interest rates will start to decline.

This week market participants are hoping that a clearer picture emerges. Today, the US National Association of Purchasing Managers report will be watched closely. US employment data for January, released on Friday, is regarded as a key indicator.

Also this week, German industrial production, employment and trade figures are due. Finally, the Bundesbank council holds its regular bi-weekly meeting on Thursday. Here at least there consensus: no-one is expecting an immediate cut in German interest rates.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

£ IN NEW YORK

Jan.31	Close	Previous Close
£Spot	1.7850-1.7860	1.7815-1.7825
1 month	0.95-0.93pm	0.95-0.93pm
3 months	2.83-2.80pm	2.85-2.82pm
12 months	9.35-9.25pm	9.32-9.22pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.31	Previous
8.30 am	90.8	90.9
9.00 am	90.8	90.9
10.00 am	90.7	91.0
11.00 am	90.8	90.9
Noon	90.7	90.9
1.00 pm	90.7	90.9
2.00 pm	90.7	91.0
3.00 pm	90.8	91.0
4.00 pm	90.9	90.8

OTHER CURRENCIES

Jan 31	£	$
Argentina	1.7695 - 1.7725	0.9900 - 0.9910
Australia	2.3865 - 2.3885	1.3325 - 1.3335
Brazil	2338.75 - 2340.45	1308.40 - 1308.60
Finland	7.8675 - 7.8895	4.3650 - 4.3680
Greece	329.200 - 334.450	184.710 - 187.660
Hong Kong	13.8775 - 13.8930	7.7600 - 7.7620
Iran	2555.00*	1415.00*
Korea(Sth)	1344.75 - 1366.45	757.50 - 766.50
Kuwait	0.52060 - 0.52225	0.29150 - 0.29250
Luxembourg	59.20 - 59.30	33.05 - 33.15
Malaysia	4.6855 - 4.6975	2.6285 - 2.6315
Mexico	5393.40 - 5405.40	3066.00 - 3067.00
N.Zealand	3.3140 - 3.3175	1.8505 - 1.8525
Saudi Ar.	6.6445 - 6.7215	3.7495 - 3.7505
Singapore	2.9255 - 2.9335	1.6390 - 1.6410
S.Af (Cm)	5.0175 - 5.0295	2.8030 - 2.8045
S.Af (Fn)	6.0205 - 6.1235	3.3615 - 3.4190
Taiwan	44.60 - 44.75	24.95 - 25.05
U.A.E.	6.5060 - 6.5830	3.6715 - 3.6735

*Floating rate. Iran Official rate:£116.8 $65.2

CURRENCY MOVEMENTS

Jan 31	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.9	-20.7
U.S Dollar	62.7	-15.7
Canadian Dollar	101.4	-0.5
Austrian Schilling	109.7	+12.2
Belgian Franc	111.5	-1.8
Danish Krone	109.1	+3.2
D-Mark	118.6	+25.1
Swiss Franc	108.5	+15.6
Dutch Guilder	114.7	+16.6
French Franc	103.1	-12.9
Lira	99.0	-19.6
Yen	145.2	+80.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Jan.30

CURRENCY RATES

Jan 31	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.780591	0.710208
U.S Dollar	3.50	1.39921	1.26609
Canadian $	7.33	1.64701	1.48576
Austrian Sch	7.50	15.7901	14.3790
Belgian Franc	8.50	45.2124	42.0848
Danish Krone	9.50	8.69819	7.92002
D-Mark	8.00	2.24531	2.04385
Dutch Guilder	8.50	2.52557	2.30086
French Franc	10¼	7.65018	6.96159
Italian Lira	12	1686.88	1536.08
Japanese Yen	4.50	175.811	158.476
Norway Krone	8	8.80103	8.01497
Spanish Peseta	-	141.127	128.540
Swedish Krona	10.00	8.14760	7.42181
Swiss Franc	7.00	1.99947	1.81620
Greek Drach	19	255.134	235.834
Irish Punt	-	N/A	0.766305

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Jan.30

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
Mar	101-01	101-04	100-21	100-23
Jun	99-29	-	99-17	99-18

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Close	High	Low	Prev.
Mar	0.7932	0.7991	0.7930	0.7947
Jun	0.7919	0.7975	0.7918	0.7935
Sep	0.7924	0.7960	0.7929	0.7931

BRITISH POUND (IMM)

	Close	High	Low	Prev.
Mar	1.7708	1.7842	1.7620	1.7682
Jun	1.7444	1.7570	1.7380	1.7422
Sep	1.7210	1.7350	1.7130	1.7192

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Mar	0.6942	0.7005	0.6910	0.6941
Jun	0.6887	0.6950	0.6860	0.6886
Sep	0.6840	-	-	0.6839

STANDARD & POORS 500 INDEX $500 times index

	Close	High	Low	Prev.
Mar	408.60	412.95	408.10	412.05
Jun	409.95	414.20	409.40	413.45
Sep	411.50	415.80	411.50	415.00

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
1.725	6.10	6.56	6.87	7.35	0.38	1.50	2.51	4.46
1.750	4.04	4.76	5.19	5.84	0.87	2.34	3.46	5.66
1.775	2.39	3.29	3.83	4.63	1.73	3.42	4.72	7.07
1.800	1.26	2.26	2.76	3.60	3.10	4.91	6.25	8.60
1.825	0.59	1.46	1.98	2.75	4.94	6.64	7.87	10.33
1.850	0.22	0.89	1.36	2.12	7.02	8.54	9.76	12.18
1.875	0.09	0.51	0.90	1.58	9.29	10.66	11.81	14.16

Previous day's open int: Calls 296,997 Puts 381,162 (All currencies)
Previous day's volume: Calls 16,073 Puts 40,418 (All currencies)

POUND SPOT - FORWARD AGAINST THE POUND

Jan 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7825 - 1.7920	1.7895 - 1.7905	0.94-0.92cpm	6.23	2.81-2.78pm	6.25
Canada	2.0890 - 2.1055	2.1000 - 2.1010	0.64-0.60cpm	3.54	1.28-1.21pm	2.37
Netherlands	3.2250 - 3.2450	3.2325 - 3.2425	¼-¼cpm	0.93	¾-½pm	0.85
Belgium	58.95 - 59.40	59.20 - 59.30	8-3cpm	1.11	18-13pm	1.05
Denmark	11.1200 - 11.1700	11.1375 - 11.1475	½-¼orepm	0.40	1¼-¾pm	0.38
Ireland	1.0780 - 1.0805	1.0780 - 1.0790	0.05cpm-par	0.28	0.12dis-0.03pm	-0.17
Germany	2.8750 - 2.8825	2.8750 - 2.8800	¼-⅛pfpm	0.78	¾-½pm	0.87
Portugal	246.35 - 248.15	246.35 - 247.35	84-122cdis	-5.01	248-337dis	-4.74
Spain	180.40 - 181.40	180.40 - 180.70	23-36cdis	-1.96	95-108dis	-2.23
Italy	2157.25 - 2169.50	2160.00 - 2161.00	1-3lirerdis	-1.11	5-8dis	-1.20
Norway	11.2500 - 11.3350	11.3250 - 11.3350	¼-⅛orepm	0.20	¼-⅜dis	-0.11
France	9.7775 - 9.8250	9.7950 - 9.8050	⅝-⅜cpm	0.61	1¼-¾pm	0.41
Sweden	10.4150 - 10.4675	10.4400 - 10.4500	1⅛-1⅜oredis	-1.44	4-4½dis	-1.63
Japan	223.25 - 225.25	224.25 - 225.25	1-⅞ypm	5.01	3-2¾pm	5.12
Austria	20.17 - 20.30	20.17 - 20.20	2¼-1gropm	0.93	5¼-2¼pm	0.76
Switzerland	2.5525 - 2.5625	2.5525 - 2.5625	¾-¼cpm	3.81	2-1¾pm	2.93
Ecu	1.4050 - 1.4115	1.4060 - 1.4070	0.04dis-0.02cpm	-0.09	0.06dis-0.04pm	-0.03

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.26-5.21cpm . 12 Month 9.30-9.20pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan 31	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7825 - 1.7920	1.7895 - 1.7905	0.94-0.92cpm	6.23	2.81-2.78pm	6.25
Ireland†	1.6485 - 1.6580	1.6560 - 1.6570	0.85-0.80cpm	5.98	2.53-2.43pm	5.99
Canada	1.1715 - 1.1760	1.1740 - 1.1750	0.27-0.30cdis	-2.91	0.82-0.87dis	-2.88
Netherlands	1.8015 - 1.8275	1.8085 - 1.8095	0.79-0.81cdis	-5.31	2.46-2.51dis	-5.49
Belgium	33.05 - 33.40	33.05 - 33.15	13.00-15.00cdis	-5.08	43.00-48.00dis	-5.50
Denmark	6.2225 - 6.2825	6.2225 - 6.2275	2.80-3.15oredis	-5.73	8.60-9.40dis	-5.78
Germany	1.5950 - 1.6230	1.6075 - 1.6085	0.71-0.72pfdis	-5.34	2.18-2.20dis	-5.45
Portugal	138.10 - 139.00	138.15 - 138.25	132-140cdis	-11.81	373-390dis	-11.04
Spain	100.75 - 102.00	100.95 - 101.05	68-71cdis	-8.26	210-216dis	-8.44
Italy	1203.50 - 1218.25	1206.75 - 1207.25	7.40-7.90liredis	-7.61	22.20-23.20dis	-7.52
Norway	6.2750 - 6.3575	6.3275 - 6.3325	3.15-3.45oredis	-6.26	9.65-10.35dis	-6.32
France	5.4450 - 5.5250	5.4725 - 5.4775	2.61-2.65cdis	-5.76	8.05-8.15dis	-5.92
Sweden	5.8150 - 5.8925	5.8325 - 5.8375	3.75-4.05oredis	-8.02	11.45-12.00dis	-8.04
Japan	124.85 - 126.00	125.50 - 125.60	0.12-0.13ydis	-1.19	0.31-0.33dis	-1.02
Austria	11.3525 - 11.4000	11.3925 - 11.3975	4.90-5.30grodis	-5.37	14.90-16.10dis	-5.44
Switzerland	1.4220 - 1.4420	1.4280 - 1.4290	0.36-0.39cdis	-3.15	1.15-1.20dis	-3.29
Ecu	1.2610 - 1.2750	1.2730 - 1.2740	0.67-0.64cpm	6.17	2.00-1.94pm	6.19

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Jan.31	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.790	2.877	224.7	9.800	2.557	3.237	2160	2.100	59.25	1.406
$	0.559	1	1.607	125.5	5.475	1.428	1.808	1207	1.173	33.10	0.785
DM	0.348	0.622	1	78.10	3.406	0.889	1.125	750.8	0.730	20.59	0.489
YEN	4.450	7.966	12.80	1000.	43.61	11.38	14.41	9613	9.346	263.7	6.257
F Fr.	1.020	1.827	2.936	229.3	10.	2.609	3.303	2204	2.143	60.46	1.435
S Fr.	0.391	0.700	1.125	87.88	3.833	1	1.266	844.7	0.821	23.17	0.550
N Fl.	0.309	0.553	0.889	69.42	3.027	0.790	1	667.3	0.649	18.30	0.434
Lira	0.463	0.829	1.332	104.0	4.537	1.184	1.499	1000.	0.972	27.43	0.651
C$	0.476	0.852	1.370	107.0	4.667	1.218	1.541	1029	1	28.21	0.670
B Fr.	1.688	3.021	4.856	379.2	16.54	4.316	5.463	3646	3.544	100.	2.373
Ecu	0.711	1.273	2.046	159.8	6.970	1.819	2.302	1536	1.494	42.14	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

Jan 31	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10¼ - 10½	10¼ - 10⅛	10¼ - 10⅛	10⅛ - 10⅛	10⅛ - 10⅛	10⅛ - 10¼
US Dollar	4⅛ - 3⅞	4⅛ - 4⅛	4⅛ - 4⅛	4⅛ - 4⅛	4⅛ - 4⅛	4⅝ - 4½
Can. Dollar	6⅞ - 6⅝	6⅞ - 6⅝	6⅞ - 6⅝	6⅞ - 6⅝	6⅞ - 6⅞	7⅛ - 6⅞
Dutch Guilder	9⅞ - 9⅞	9⅞ - 9⅞	9⅝ - 9½	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞
Swiss Franc	7¼ - 7	7¼ - 7	7½ - 7⅜	7½ - 7⅜	7½ - 7⅜	7⅜ - 7¼
D-Mark	9¾ - 9⅝	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅞ - 9⅞	9⅞ - 9¼
French Franc	10⅛ - 10	10⅛ - 10	10⅛ - 10	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.31) 3 months US dollars		6 months US Dollars	
bid 4⅛	offer 4¼	bid 4⅛	offer 4⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK Treasury Bills and Bonds

4pm

		One month	3.97	Three year	5.58
		Two month	3.75	Five year	6.45
Prime rate	6½	Three month	3.94	Seven year	6.92
Broker loan rate	6	Six month	4.06	10-year	7.30
Fed.funds	4½	One year	4.21	30-year	7.76
Fed.funds at intervention	4⅜	Two year	5.13		

Jan.31	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.65-9.75	9.45-9.60	9.45-9.55	9.45-9.55	9.35-9.50	9.75
Paris	9⅞-9⅞	9⅞-10	9⅞-10	9⅞-10	9¾-9⅞	9.60
Zurich	6⅞-7⅛	7¼-7½	-	7¼-7½	-	-
Amsterdam	9.43-9.56	9.40-9.50	-	9.37-9.42	-	-
Tokyo	5⅜-5⅝	5⅝-5⅞	-	5⅜-5¼	-	-
Milan	11⅞-12¼	12¼-12⅞	-	12⅛-12⅞	-	-
Brussels	9⅞-9⅞	9½-9⅝	-	9⅝-9⅝	-	-
Dublin	10⅞-10⅞	10⅞-10⅞	10½-10⅝	10⅝-10½	10⅞-10⅞	-

LONDON MONEY RATES

Jan 31	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10⅞	10¾	10¾	10⅞	10½	10⅜
Interbank Bid	8½	10½	10⅝	10⅞	10⅜	10¼
Sterling CDs	-	-	10¾	10⅝	10⅜	10⅞
Local Authority Deps.	10½	10½	10⅝	10⅞	10⅞	10¼
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10⅛	10⅞	-	-	-	-
Company Deposits	-	-	10⅞	10⅝	10⅜	10⅞
Finance House Deposits	-	-	10¾	10⅞	10½	10⅞
Treasury Bills (Buy)	-	-	10¼	9⅞	9⅝	-
Bank Bills (Buy)	-	-	10⅞	9⅞	9⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs.	-	-	4.12	4.12	4.18	4.53
SDR Linked Dep. Offer	-	-	6¾	6¾	6⅞	6⅞
SDR Linked Dep. Bid	-	-	6½	6½	6⅞	6⅞
ECU Linked Dep. Offer	-	-	10½	10⅜	10⅞	10⅞
ECU Linked Dep. Bid	-	-	10⅜	10¼	10⅞	9⅞

Treasury Bills (sell); one-month 10⅛ per cent; three months 9⅞ per cent; six months 9½ per cent; Bank Bills (sell): one-month 10¼ per cent; three months 9⅞ per cent; Treasury Bills; Average tender rate of discount 9.8765 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31 ,1992 . Agreed rates for period Feb.26, 1992 to March 24 , 1992, Scheme I: 11.75 p.c., Schemes II & III: 12.01 p.c. Reference rate for period Jan 1,1992 to January 31 , 1992, Scheme IV&V: 10.713 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from January 1 , 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991 , Deposits withdrawn for cash 5 per cent.

WEEKLY CHANGE IN WORLD INTEREST RATES

TOKYO			Intervention Rate	9.60	Unch'd
One month Bills	5⅞	+⅛	One mth. Interbank	9⅞	Unch'd
Three month Bills	5⅞	Unch'd	Three month	9⅞	+⅛
BRUSSELS			MILAN		
One month	9⅞	+⅜	One month	12⅞	+⅞
Three month	9⅞	+⅜	Three month	12⅛	+⅜
AMSTERDAM			DUBLIN		
One month	9.450	Unch'd	One month	10⅝	Unch'd
Three month	9.395	Unch'd	Three month	10⅞	Unch'd

FINANCIAL TIMES STOCK INDICES

	Jan 31	Jan 30	Jan 29	Jan 28	Jan 27	Jan 24	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs.	87.84	87.94	87.90	87.84	87.74	87.70	87.94	82.17	127.4	49.18
Fixed Interest	100.64	100.62	100.68	99.98	99.86	99.87	100.68	90.59	105.4	50.53
Ordinary	1996.6	1973.6	1965.8	1973.8	1966.4	1944.9	2108.3	1606.3	2108.3	49.4
Gold Mines	144.3	146.1	148.9	153.3	152.8	152.6	222.8	127.0	734.7	43.5
FT Act All-Share	1227.84	1216.88	1217.03	1219.99	1213.90	1200.51	1284.07	987.46	1284.07	61.92
FT-SE 100	2571.2	2550.8	2546.5	2552.0	2539.9	2510.4	2679.6	2054.8	2679.6	986.9
FT-SE Eurotrack 100	1137.97	1131.87	1132.85	1143.22	1142.52	1131.86	1165.54	900.45	1165.54	900.45
FT-SE Eurotrack 200	1179.30	1171.02	1169.32	1178.40	1176.71	1164.15	1198.60	938.62	1198.60	938.62

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	Fri Jan 31 1992 US Dollar Index	% chg ($) since 31/12/91	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/91	Gross Div. Yield	Thu Jan 30 1992 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index 1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	145.44	-3.6	120.47	115.43	121.59	128.95	-2.3	4.28	143.78	120.13	114.52	121.17	128.10	160.31	112.74	122.37
Austria (20)	172.08	+3.3	142.53	136.57	143.86	144.79	+10.4	1.99	172.19	143.87	137.15	145.12	143.49	222.37	153.86	187.78
Belgium (46)	141.93	-1.7	117.55	112.63	118.65	115.85	+4.1	5.08	141.04	117.84	112.33	118.86	115.85	151.20	118.04	138.76
Canada (115)	137.50	+0.9	113.89	109.12	114.94	116.94	+2.5	3.15	137.96	115.27	109.88	116.26	117.48	144.28	126.49	129.48
Denmark (37)	262.91	-1.8	217.75	208.65	219.79	222.59	+3.7	1.61	262.10	218.98	208.76	220.88	222.17	273.94	217.74	244.68
Finland (15)	88.16	+13.0	73.02	69.97	73.70	80.79	+19.3	3.02	87.75	73.32	69.89	73.95	80.27	125.15	73.32	100.71
France (108)	150.87	+0.3	124.96	119.73	126.12	129.57	+5.9	3.43	149.47	124.88	119.04	125.95	129.60	152.95	119.11	137.50
Germany (65)	118.47	+1.0	98.13	94.03	99.04	99.04	+7.0	2.34	116.91	97.68	93.13	98.52	98.52	125.35	94.15	114.79
Hong Kong (55)	190.72	+8.1	157.97	151.36	159.45	190.03	+7.9	3.99	189.47	158.30	150.91	159.69	188.79	191.57	119.62	130.17
Ireland (16)	169.38	+0.9	140.29	134.42	141.60	144.08	+6.5	3.54	167.51	139.96	133.42	141.17	142.88	182.46	132.88	145.83
Italy (77)	77.62	+3.0	64.29	61.60	64.89	69.97	+8.2	3.29	76.21	63.67	60.70	64.22	69.38	88.23	64.76	75.94
Japan (473)	128.35	-5.5	106.31	101.86	107.31	101.86	-5.1	0.83	125.43	104.79	99.90	105.72	99.90	146.97	118.23	127.98
Malaysia (68)	226.90	+5.9	187.94	180.07	189.68	229.83	+2.4	2.84	225.42	188.34	179.53	189.97	228.20	247.78	189.18	208.16
Mexico (18)	1525.18	+9.6	1263.25	1210.42	1275.04	5113.56	+10.6	1.02	1532.07	1280.04	1220.24	1291.16	5132.45	1532.07	534.45	574.57
Netherland (31)	152.16	-0.3	126.03	120.76	127.21	125.63	+5.5	4.30	150.50	125.74	119.86	126.83	125.36	155.74	125.70	135.00
New Zealand (14)	44.89	-4.5	37.18	35.63	37.53	44.13	-4.4	6.23	45.10	37.68	35.93	38.01	44.33	54.84	41.18	45.50
Norway (25)	181.02	+1.2	149.93	143.66	151.33	155.53	+7.4	1.67	180.60	150.89	143.85	152.21	154.62	223.24	157.08	197.46
Singapore (38)	223.61	+1.8	185.21	177.47	186.94	169.00	+3.0	2.06	225.49	188.40	179.60	190.03	169.38	228.43	151.63	171.61
South Africa (61)	243.17	-2.3	201.41	192.98	203.28	180.19	+4.2	2.75	245.62	205.22	195.63	206.99	181.69	271.99	173.00	177.61
Spain (52)	155.23	-0.8	128.57	123.19	129.77	118.77	+3.7	4.64	154.19	128.83	122.81	129.94	118.45	171.12	131.51	150.21
Sweden (25)	181.04	-0.1	149.95	143.68	151.35	156.38	+5.2	2.86	179.19	149.71	142.72	151.01	158.24	204.12	146.60	182.55
Switzerland (59)	100.57	+0.2	83.30	79.82	84.09	89.07	+5.6	2.25	99.38	83.03	79.16	83.76	88.75	103.50	82.17	94.23
United Kingdom (234)	183.36	-1.1	151.87	145.50	153.27	151.87	+3.4	4.89	180.33	150.66	143.61	151.96	150.66	187.44	156.27	170.55
USA (523)	166.91	-1.8	138.24	132.47	139.54	166.91	-1.8	2.93	167.97	140.34	133.79	141.56	167.97	171.66	125.95	139.05
Europe (812)	147.41	-0.2	122.09	116.99	123.24	123.27	+4.9	3.91	145.45	121.52	115.84	122.58	122.62	151.52	125.50	138.55
Nordic (102)	183.16	-0.3	151.72	145.37	153.14	151.22	+5.1	2.14	182.11	152.15	145.05	153.47	150.91	200.81	155.55	180.15
Pacific Basin (717)	130.61	-4.8	108.18	103.66	109.19	105.10	-4.3	1.16	127.86	106.83	101.84	107.76	103.24	145.92	117.86	127.53
Euro-Pacific (1529)	137.63	-2.9	113.99	109.22	115.05	113.09	-0.5	2.33	135.19	112.95	107.66	113.92	111.68	147.66	121.29	132.37
North America (638)	165.02	-1.6	136.68	130.98	137.98	163.51	-1.5	2.94	166.05	138.74	132.27	139.97	164.54	169.89	125.91	138.38
Europe Ex. UK (578)	125.72	+0.5	104.13	99.80	105.13	108.71	+6.1	3.19	124.35	103.89	99.06	104.82	106.36	129.80	103.58	119.01
Pacific Ex. Japan (244)	152.92	+1.9	126.66	121.38	127.85	137.39	+2.1	3.88	151.90	126.92	121.01	128.03	136.65	153.49	111.40	121.49
World Ex. US (1723)	139.63	-2.6	115.65	110.82	116.74	115.15	-0.2	2.38	137.36	114.76	109.41	115.76	113.84	148.16	122.32	132.98
World Ex. UK (2012)	144.40	-2.4	119.60	114.60	120.73	129.04	-1.3	2.30	143.44	119.84	114.25	120.90	128.50	150.58	120.06	130.44
World Ex. So. Af. (2185)	147.17	-2.3	121.90	116.81	123.04	130.76	-0.9	2.57	146.01	121.99	116.30	123.06	130.14	153.05	122.92	133.74
World Ex. Japan (1773)	159.45	-0.9	132.07	126.55	133.32	147.81	+1.0	3.31	159.25	133.05	126.85	134.23	148.05	161.90	126.69	138.48
The World Index (2246)	147.78	-2.3	122.40	117.29	123.56	131.20	-0.8	2.58	146.65	122.53	116.81	123.60	130.61	153.70	123.28	134.00

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).
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GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Top Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed: dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. z Dividend includes a special payment: Cover does not apply to special payment. E Minimum tender price. F Dividend based on prospectus or other official estimates for 1990-91. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1991. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1991-92. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

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FT Share Service

The following changes have been made to the FT Share Information Service:

Additions:
Simpsons of Cornhill (Section: Hotels & Leisure).

Deletions:
Beazer (Contracting & Construction)
Colby Resources (Mines).

4:00 pm prices January 31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- B -

- C -

- D -

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- F -

- G -

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- I -

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- K -

- L -

- M -

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- O -

- P - Q -

- R -

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
11¼	10⅛	Royce Val	1.22	11.1		207	11⅛	11	11	
37¼	33½	Rubbermaid x	0.34	1.0	33	2356	35	33½	33½	−1¾
17⅞	14⅞	Ruddick	0.24	1.4	13	147	17½	17	17¼	−⅛
21	18	RussBerrie	0.60	2.8	18	378	u21⅞	20⅝	21⅛	+¼
1½	1	Russ Togs	0.20	14.5	0	25	1⅜	1⅛	1⅜	+⅛
39⅝	33½	Russell Cp x	0.32	0.8	27	319	38⅞	38½	38⅝	
24½	19⅝	Ryder Syst	0.60	2.8	33	2516	22½	21½	21⅝	−¼
28	22¼	Ryland Grp	0.60	2.2	38	142	27¼	27	27	−¼

- S -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21	17½	S Anita Rt	1.36	6.7	18	82	20⅝	20	20⅜	+¼
17¾	16¼	SCOR US Cp	0.24	1.4	9	10	u17⅞	17¾	17⅞	+¼
29½	24¼	SPS Techno	1.28	4.4	23	66	29¼	28⅞	29¼	+⅜
[illegible]	[illegible]	Saatchi&S	0.19	23.4	0	613	[illegible]	[illegible]	[illegible]	[illegible]
13	12¼	Sabine Rlt	1.35	10.8	7	41	12⅝	12½	12½	
11⅞	9½	Safecard x	0.15	1.3	10	185	11½	11¼	11⅝	
16	14½	Safeg'd Sc			6	79	14¾	d14¼	14¼	−½
28¾	25¼	SafetyKln	0.32	1.2	26	434	27⅞	27¼	27½	+¼
20¼	17½	Safeway			14	437	19	18⅝	18⅝	−½
4⅝	3¼	SafewayW30				60	4¼	4⅛	4¼	
32¼	29⅞	StJoePaper	0.20	0.6	43	557	32⅞	32½	32⅝	
34¾	32⅝	StJoeL&P x	1.72	5.2	13	6	32¾	32¾	32¾	−¼

1992 High	1992 Low	Stock	Div.	Yld. %	P/E
21½	18¾	TCF Financ x	0.40	1.9	15
9¾	8⅝	TCW Conv S	0.84	9.6	
37¾	31⅞	TDK Corp A	0.32	0.9	23
8½	6⅞	T I S Mtge	1.34	16.2	7
18¾	15⅝	TJX Cos x	0.46	2.6	17
21⅛	19	TNP Enterp	1.63	8.0	9
46⅞	41	TRW Inc x	1.80	4.2	19
1½	[illegible]	TacomaBoat			0
30⅞	24½	Taiwan Fd			
4¼	3⅝	Talleyind	0.20	5.3	0
7⅛	6¼	Talley Pf	1.00	13.8	
70½	61¾	Tambrands	1.36	2.1	29
14¾	11	Tandem			
29	24⅝	Tandy Corp x	0.60	2.5	
13	12⅛	Taurus Mun	0.84	6.6	
41½	36	Teco Energy x	1.72	4.8	14
22⅞	19⅞	Tektronix	0.60	3.0	12
1⅜	[illegible]	Telecom Cp			3
26⅛	19⅞	Teledyne x	0.80	3.3	25
38⅞	34¼	TeleEspSA x	1.44	4.2	
52⅞	48¾	Telmex ADR			
57½	50	Templeinl	0.88	1.7	17
24	21	TemplEmMk	3.90	17.1	
9¾	9¼	TempltGlob x	0.84	9.0	
9⅜	8⅞	TempltGIFd	0.84	9.2	

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
74⅜	68½	Xerox	3.00	3.9	13	7054	u78	74⅞	77⅛	+2⅝
53¾	50½	Xerox4.125				5	52½	52½	53¼	+¾
26½	24⅞	Xtra 1.94 x				105	u26⅜	26	26	−¼
33	28½	Xtra Corp x	0.80	2.4	16	1299	u33	32⅝	32¾	
27	25¼	Yankee Egy	1.60	6.1	13	68	26½	26¼	26⅜	
[illegible]	½	Zapata			87	113	[illegible]	[illegible]	[illegible]	
9⅝	7¼	ZenithElec			3	700	9	8¾	9	+⅛
16⅞	15¼	Zenith Nat x	1.00	6.3	132	124	16⅛	15⅞	15⅞	−⅛
6⅝	6	Zenix Inc x	0.84	12.9		61	u6⅝	6½	6½	−⅛
12¼	11⅛	Zero Corp	0.40	3.4	18	2224	11⅞	11¾	11⅞	
38	35⅜	Zurn Ind x	0.88	2.5	15	283	36¼	d35⅛	35¼	−¼
14½	13½	Zweig Fund	1.16	8.6		124	13⅝	d13½	13½	−⅛
11	10⅝	Zweig Totl	0.96	9.0		276	10⅝	d10⅝	10⅝	

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked ex-dividend early.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices January 31

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
OMI Corp	0.14	8	440	7⅝	d7½	7½	
Pall Corp x	0.36	32	697	30	28⅞	29⅛	−1⅛
Pegasus G	0.10	8	1520	13⅛	12⅝	13	+⅛
Perini		9	117	u14	13⅝	14	+½
Pet H&P	0.31	7	53	11⅞	11⅝	11⅝	−⅛

NASDAQ NATIONAL MARKET

4:00 pm prices January 31

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		28	1030	27¾	26½	26¾	−¾
Xoma Corp		13	13468	u25	23¼	24¼	+¾
Yellow Fr x	0.94	20	747	28⅝	28¼	28⅛	−½
York Rsch		57	1424	7⅛	6½	6⅞	−⅛
ZionsUtah	1.44	9	136	u46¼	44¾	45½	+¼

MONDAY INTERVIEW

Full speed ahead for 'Fujimobile'

Alberto Fujimori, president of Peru, talks to **Sally Bowen**

When agricultural engineer and university rector Alberto Fujimori decided to run for President of Peru, a campaign organiser told him to forget it. Even a seat in the senate was unthinkable. Mr Fujimori fired the consultant and got his family painting posters and distributing leaflets. He pressed into service an elderly tractor as a campaign vehicle that soon became known as the "Fujimobile".

That Peruvians chose as their president this political novice, of Japanese parentage, backed by a rag-bag party of unknowns was a measure of their disenchantment with traditional politicians from right and left. In a decade of democracy after 12 years of military rule, they had opted for a free-spending, patrician elder statesman and then for a young, charismatic populist who left Peru on the verge of economic collapse.

As a first generation Peruvian made good, Mr Fujimori provided hope for both immigrants and the mixed-race majority, traditionally despised by the ruling Hispanic elite. The antithesis of his predecessors, he came to power offering a new direction. Accurately reading the Peruvian mood, he named his party "*Cambio* (Change) 90".

Once the jewel in the Spanish imperial crown, Peru had become one of the poorest countries in South America. At home, the state was under threat from left-wing guerrillas. Abroad, it had defaulted on all its foreign debts and, partly as a result, had become an international pariah.

In 18 months of government, Mr Fujimori has not solved Peru's problems. But even his critics admit he has made progress towards his goal of radically changing the country. "In legislative terms," says a confident Mr Fujimori, "there is virtually nothing left to do. What we must concentrate on now is putting our reforms into full effect."

Among quantifiable successes, he has reduced inflation from an annualised 3,000 per cent upon taking office in July 1990 to about 4 per cent a month; tax collections, while still inadequate to cover essential services, have doubled: a bloated and inept state bureaucracy has been trimmed; financial and commercial reforms have converted Peru into one of the most liberal regimes in the continent and relations with international financial organisations have been normalised.

However, austerity has plunged more people than ever into poverty and economic reform is reckoned by critics to have benefited only a small group of businessmen. Mr Fujimori is under attack as an autocrat for ruling by decree and by-passing the legislature. He has been criticised for his closeness to an army accused of human rights violations, and for using repressive measures to combat the guerrillas.

In the faded splendour of Lima's government palace – an operatic stage-set of a building complete with marble halls, French gilt mirrors and magnificently-attired storybook soldiers – Mr Fujimori cuts no dash. His private office is austere. He sits with shirt sleeves rolled up, a flickering television screen permanently showing the silent images of a favourite afternoon soap opera.

Mr Fujimori is a self-proclaimed pragmatist and technocrat. His Spanish lacks eloquence, his vocabulary is limited. Not for him the rhetorical, sonorous discourses of his predecessors, Mr Fernando Belaunde and Mr Alan Garcia. He rarely departs from the text of competent but dull speeches, read in a tightly controlled monotone. Even his occasionally colourful verbal attacks – he has called judges "jackals" and parliamentarians "pachyderms" – are rehearsed.

But for a man who lacks a power base, he has attacked some of Peru's most powerful institutions. The judiciary, Congress and the Catholic Church have all felt his waspish tongue. Establishment ripostes frequently smack of racism – the jumped-up "chinito" (Chink) – but the average Peruvian admires oriental hard work and honesty and Mr Fujimori has learned to joke about the shape of his eyes.

In recent months, Mr Fujimori has been travelling more. Late last year he went with an entourage of Peruvian businessmen to the US, Europe and Asia to court potential investors. He has started a bridge-building exercise with traditionally hostile Ecuador and has signed a treaty giving land-locked neighbour Bolivia access to the Pacific. Trade and economic benefits underpin each diplomatic initiative.

This week, he arrives in Britain, primarily to deliver a lecture at the Royal Botanic Gardens in Kew on ecology and the environment on a visit likely to attract demonstrations from environmentalists, human rights groups and supporters of the guerrillas that are fighting the government.

Peru has recently awakened to the fact that, as the principal world producer of coca, the raw material from which cocaine is made, it possesses at least one product in which the international community is intensely interested. "The subject that interests me most is drugs trafficking, in relation to ecology" he says.

"I'll be raising the alarm over the damage being done to the Amazon basin by the drugs trade," says Mr Fujimori. Processing coca leaf into cocaine paste or base releases thousands of tonnes of kerosene, sulphuric acid and quicklime into Amazonian tributaries, while jungle hillsides are ravaged as growers slash and burn trees to make room for the lucrative coca bushes.

'I will defeat terrorism before I leave office'

PERSONAL FILE

1934 Fujimori's parents arrived in Peru from Japan.
1938 Born in Lima.
1956-61 Studied agricultural engineering at National Agrarian University of La Molina, Lima.
1984-89 Rector of National Agrarian University, La Molina, and president of National Assembly of University Rectors.
1989 Formed Cambio (Change) 90 party.
1990 Elected president.

He will aim to present Peru as caretaker of a unique world treasure. Mr Fujimori hopes to win economic help from governments, including those of the US and Spain, in the drugs battle. But private sector contacts are higher on the Peruvian agenda.

Foreign investment is needed elsewhere in the economy too. Last year's 2.4 per cent economic growth rate made scarcely a blip in a steep 23 per cent decline over the preceding three years.

But for all its mining, fishing and agro-industrial potential, will foreign businesses come to a land where an 11-year guerrilla war has already cost some 25,000 lives and $20bn in material damage? Mr Fujimori's eyes gleam with messianic conviction. "I am certain that I will defeat terrorism before I leave office. We are making real progress in pacification."

Although many Peruvians are not so sure, the president claims the government is winning its battle against South America's deadliest left-wing guerrilla groups, the Maoist *Sendero Luminoso* (Shining Path) and the MRTA (the Tupac Amaru Revolutionary Movement). Both are finding "they have little physical or political space to manoeuvre now that the population as a whole is supporting us more."

Initial parliamentary reaction to presidential decrees on what he calls "pacification" was hostile, but much of his plan has now been accepted. The president will personally lead a new "united pacification command" to co-ordinate civilian and military strategy against the guerrillas. He has made the controversial move of arming peasant self-defence groups, the "rondas", who now form the front line (cannon fodder, say opponents) against terrorism in the generally lawless Peruvian countryside.

The army and "the people" are now the twin pillars on which the Fujimori government rests. In a strategy to bring the two closer, the army is now charged with "civic action" programmes, helping rebuild badly deteriorated road infrastructure, providing basic medical assistance and distributing international food aid to rural communities.

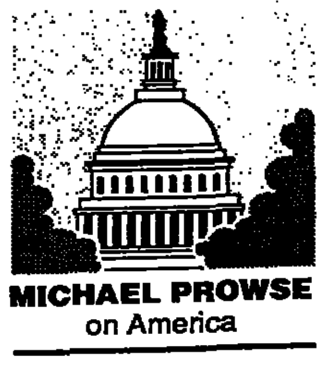
Mr Fujimori is also pledging this year to start implementing a social emergency programme to cushion the impact of his economic reforms. The ending of subsidies on basic foodstuffs and higher prices for public services has plunged another 5m Peruvians into "extreme poverty". More than half of Peru's 22m people now exist below the poverty line.

The Fujimori knack of reducing apparently insurmountable problems to simple steps is disarming to some, alarming to others. "It all boils down to planning and methodology," he says, whether it's getting elected president or beating the continent's deadliest guerrillas.

Making a virtue out of an absence of organised support, Mr Fujimori likes to claim he has no personal allegiances. "My four children and my wife are my only friends," he says. A succession of overworked ministers and advisers, summarily tossed aside once their usefulness has expired, can testify that loyalty is not a presidential failing.

Increasingly, his tersely authoritarian public style – which conflicts with a mild-mannered, gently humorous private disposition – is being called dictatorial. "It's just my own personal style," Mr Fujimori insists, "neither oriental nor Peruvian; and I haven't developed it since becoming president. I've always preferred tough, outspoken criticism to the silence of complicity."

A teenager's guide to the budget



MICHAEL PROWSE
on America

President George Bush seemed to have three objectives in last week's budget: to revive confidence with upbeat economic projections; to stimulate spending with temporary tax incentives (most of which expire shortly after the election); and to distract attention from alarming long-term fiscal trends.

The administration is betting on economic recovery beginning in the spring and gathering pace through the year. A recovery of some description does seem likely. But its strength and timing remain uncertain. As if to spite the administration, a raft of forward-looking economic data released last week was uniformly gloomy.

Durable goods orders plunged 5 per cent in December, the biggest drop for more than a year. Much of the decline was concentrated in the volatile aircraft sector, but non-transportation orders fell 1.6 per cent, to register their fifth monthly decline. New homes sales fell 6.6 per cent in December and now stand at the same level as in August when last summer's brief economic recovery sputtered out. The index of leading indicators fell 0.3 per cent in December, for the second month running. The index, which anticipates turning points in the economy, has now failed to advance significantly for five months. Consumer confidence slid further in January, instead of reviving as analysts had hoped.

Such indicators do not invalidate the budget forecast. But they leave plenty of scope for scepticism. Even if the recovery materialises, growth could be less than 2 per cent at an annual rate – in other words invisible for the purposes of an election campaign.

Will the budget tax breaks make a difference? This is hard to say if only because the shape – and timing – of the final package that emerges from Congress is uncertain. It could involve substantially larger tax cuts for middle income Americans. Few presidents, however, have tried quite as blatantly to accelerate spending for political purposes. The change in rules for withholding income tax will automatically increase purchasing power by about $25bn this year. But whether the cash will be spent depends on taxpayers' attitudes: since next year's tax rebates will be correspondingly reduced, many may decide to save the extra cash.

The proposed 15 per cent investment tax allowance for companies must be spent before next January. But the revenue loss this year is estimated at only $6.1bn, so it seems unlikely to provide a huge stimulus in a $6,000bn economy. The temporary tax credit for first-time home-buyers, which also expires next January, is even smaller beer, costing only an estimated $200m this year. Even if Mr Bush succeeds in influencing business and consumer decisions, fine-tuning the tax code could easily prove counter productive. It contradicts the philosophy of the 1986 tax reform act – – which tried to reduce fiscal distortions – and only serves to highlight the White House's short-term economic horizon.

This brings us to the longer term fiscal trends. Mr Richard Darman, the budget director, claimed the budget was prudent because it avoided a big tax cut and stuck to the 1990 budget agreement. That he could respect the pact's terms yet produce a record $400bn (6.7 per cent of gross domestic product) deficit this year merely underlines its shortcomings. The deficit has been boosted by short-term factors beyond the administration's control, including the recession and the costs of bailing out bankrupt savings and loans institutions. But the fundamental problems run deeper.

The administration has spent as though the boom of the 1980s were still under way yet pulled in much less revenue than expected because the economy has actually been stagnant for three years. Total federal spending this fiscal year will be a staggering 29 per cent higher in cash terms than in fiscal 1989 – the last year for which Mr Reagan was responsible. But revenues have risen by only 8.5 per cent over three years. The contrast is even starker in the past fiscal year: spending has risen 11.5 per cent but revenues are up only 2 per cent. This compares, incidentally, with a forecast this time last year of a spending increase of 2.5 per cent and a revenue increase of 6.7 per cent.

Looking ahead, the administration forecasts 3 per cent economic growth and a rapid reversal of spending and revenue trends. It expects revenues to rise more than 8 per cent in fiscal 1993 and spending to grow by less than 3 per cent. By 1997 it expects spending as a share of GDP to have fallen by four percentage points to just under 21 per cent and revenues to have risen slightly to 18.5 per cent of GDP. On past trends such austerity does not look feasible: deficits may thus remain much higher than most analysts expect.

The core problem is the growth of mandatory "entitlement" programmes, such as health care and pensions for the elderly. In cash terms, total entitlement spending (which accounts for more than half the budget) has grown by about a third since 1989. There is not enough scope for cuts in other programmes, such as defence (which is already declining fast) and discretionary domestic spending (pared in the 1980s), fully to offset likely growth of mandatory spending. The US can thus cure its deficit in one of two ways: by rigorously means-testing entitlements or by permanently raising taxes by 2 or 3 percentage points of GDP. Most countries opted for higher taxation long ago, but US politicians seem strangely unwilling to admit that a choice has to be made.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 03.02.92: Pool purchase price £/MWh	Final Prices for Trading on 03.01.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.16	17.18	17.18
0100	17.61	19.09	20.96
0130	18.61	27.26	23.18
0200	21.76	21.25	23.16
0230	17.61	19.09	20.93
0300	17.61	18.84	20.67
0330	17.61	17.16	17.16
0400	17.15	17.13	17.13
0430	17.13	17.11	17.11
0500	17.13	17.11	17.11
0530	17.13	17.06	17.06
0600	17.14	17.06	17.06
0630	17.17	17.12	17.12
0700	17.46	17.16	17.16
0730	18.99	17.23	17.23
0800	19.47	19.36	21.23
0830	20.23	19.54	21.40
0900	21.41	19.54	21.40
0930	23.34	19.87	21.73
1000	23.48	28.29	30.40
1030	23.47	28.29	30.41
1100	23.42	20.43	22.31
1130	23.40	19.87	21.73
1200	23.37	19.86	21.48
1230	23.26	19.87	21.73
1300	23.14	19.87	21.72
1330	21.06	17.42	17.42
1400	20.44	17.40	17.40
1430	19.91	17.40	17.40
1500	19.47	17.40	17.40
1530	17.82	17.42	17.42
1600	19.12	20.87	22.77
1630	23.07	24.46	27.24
1700	45.11	34.10	38.13
1730	57.43	36.54	40.47
1800	58.12	34.01	37.47
1830	40.35	26.99	29.13
1900	26.70	21.56	23.43
1930	23.86	21.33	23.20
2000	21.71	20.76	22.62
2030	19.47	20.14	21.99
2100	19.03	19.56	21.42
2130	18.45	19.54	21.38
2200	17.56	19.54	21.38
2230	17.17	19.41	21.25
2300	17.13	17.16	17.16
2330	17.12	17.11	17.11
2400	17.08	17.10	17.10

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 02.02.92: Pool purchase price £/MWh	Final Prices for Trading on 05.01.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.16	17.18	17.18
0100	18.82	21.62	23.36
0130	18.82	26.00	26.00
0200	21.76	26.00	27.87
0230	17.19	18.81	20.83
0300	17.15	18.81	20.83
0330	17.15	18.74	20.47
0400	17.13	18.74	20.47
0430	17.12	17.13	17.13
0500	17.09	17.11	17.11
0530	17.04	17.11	17.11
0600	17.04	17.10	17.10
0630	17.04	17.10	17.10
0700	17.04	17.10	17.10
0730	17.04	17.10	17.10
0800	17.03	17.10	17.10
0830	17.03	17.10	17.10
0900	17.04	17.09	17.09
0930	17.10	18.35	20.10
1000	17.14	18.29	20.03
1030	17.16	18.49	20.23
1100	17.61	19.08	20.85
1130	17.61	18.87	20.62
1200	19.70	19.86	21.84
1230	19.70	22.86	24.76
1300	19.98	22.86	24.75
1330	17.61	19.43	21.19
1400	17.16	18.87	20.61
1430	17.12	17.13	17.13
1500	17.12	17.11	17.11
1530	17.10	17.11	17.11
1600	17.10	17.15	17.15
1630	17.12	19.06	20.83
1700	17.18	19.62	21.27
1730	20.05	20.33	22.10
1800	20.36	22.32	24.16
1830	26.95	21.05	22.85
1900	26.95	22.32	24.16
1930	26.95	22.32	24.14
2000	20.38	21.05	22.82
2030	18.61	20.11	21.86
2100	17.61	19.52	21.26
2130	17.16	19.52	21.26
2200	17.16	19.34	21.08
2230	17.14	18.87	20.60
2300	17.12	17.13	17.13
2330	17.12	17.10	17.10
2400	17.06	17.10	17.10

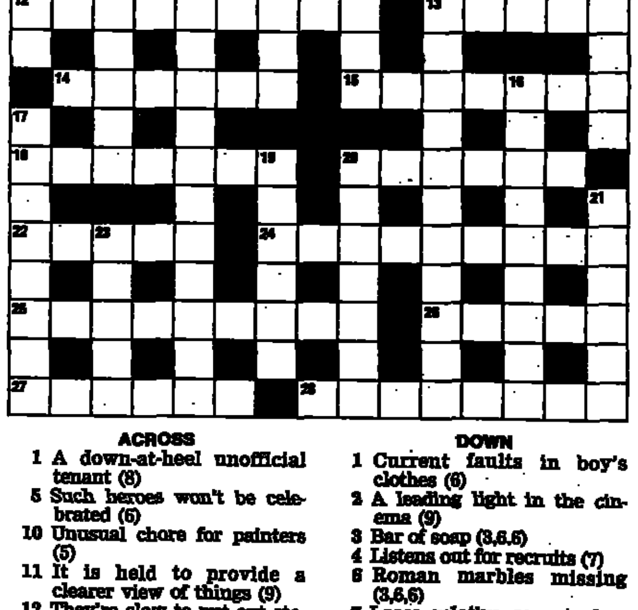
Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

JOTTER PAD

CROSSWORD

No.7,763 Set by DANTE



ACROSS

1 A down-at-heel unofficial tenant (8)
5 Such heroes won't be celebrated (6)
10 Unusual chore for painters (5)
11 It is held to provide a clearer view of things (9)
12 They're slow to put out stories (9)
13 A once-rough sea (5)
14 Strain to find way about the ship (6)
15 Account for what is no longer clear (7)
18 Puts on something saucy? (7)
20 It's lucky mother's gone to bed (6)
22 See cat jump off piano (5)
24 Huntsmen will be very fit (2,3,4)
25 Again determined how many may be told (9)
26 A dancing turn (5)
27 Lengthy yarns (6)
28 Christmas gifts offered by about ten different papers? (8)

DOWN

1 Current faults in boy's clothes (6)
2 A leading light in the cinema (9)
3 Bar of soap (3,6,6)
4 Listens out for recruits (7)
6 Roman marbles missing (3,6,6)
7 Loose relative seen topless (5)
8 Fag-end got bent in picking up the pieces (8)
9 Changing course, he was shipwrecked (6)
16 End of the act? (9)
17 Undo jars found damaged for repairs (8)
19 Times for working garments (6)
20 Ring-fighter turns to drama (7)
21 Footwear put on in a hurry? (6)
23 Pearl's mum seen in northern area (5)

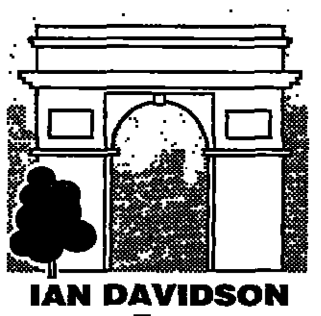
The solution to last Saturday's prize puzzle will be published with names of winners on Saturday February 15

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

The proliferation of power



IAN DAVIDSON
on Europe

Nuclear proliferation is now one of the leading preoccupations of western governments. This anxiety, that nuclear weapons may get into the hands of states which are unstable, uncivilised or plain malevolent, is the direct consequence of the end of the Cold War. But there is another consequence which is more profound and far-reaching, and that is political proliferation. The two are directly connected; and those nuclear-weapons states which are most anxious to prevent nuclear proliferation, are also most anxious to prevent political proliferation.

Their efforts are doomed to fail, since neither form of proliferation can be prevented; delayed for a while, perhaps, but not prevented. But the problem of nuclear proliferation will be easier to handle if governments face up to the inevitability – and desirability – of political proliferation.

The fear of nuclear proliferation is the corollary of the nuclear age. Throughout the Cold War, when terror of nuclear war was greatest, the nuclear-weapons club was for many years officially limited to five nations. Some bandit states acquired various degrees of illicit capability, but the stress of the east-west confrontation helped to contain the risks of overt break-out.

The polarising discipline of the Cold War has now evaporated. The rogue behaviour of Iraqi President Saddam Hussein is the most eloquent witness of the collapse of Soviet influence; but other renegade states may seek to tread the same path.

On the supply side, the disintegration of the Soviet Union is causing concern over the future of its nuclear arsenal. The Russians say the weapons are under secure control from Moscow; but control cannot be secure until there is a stable political system of reasonably satisfied states, and that is many years off. Moreover, economic collapse and nuclear disarmament could create optimal incentives for unauthorised exports of nuclear materials or mercenary emigration of nuclear experts.

The corollary of nuclear discipline was political discipline. The east-west confrontation of the Cold War compelled lesser powers to accept the domination of the US and the Soviet Union. The western alliance was, of course, democratic and therefore much less monolithic than the eastern. But on both sides the line-up was clear-cut and consistent, and the opposing champions were the so-called "superpowers".

The end of the Cold War has let loose a vigorous jostling for position between leaders and followers. Russia under Mr Boris Yeltsin is asserting its claims as the successor state to the Soviet superpower; the US under Mr George Bush is being just as hyperactive in asserting its role as the successor state to the American superpower. Now it may suit the ex-superpowers to prop each other up: Bush and Yeltsin, like Reagan and Gorbachev before them, are trading disarmament gestures abroad, because they cannot deliver economic well-being at home. But in neither case do their international claims carry conviction.

The latest exchange of nuclear disarmament bids by the superpowers looks like the reiteration of an old trick out of season. The elimination of multiple warheads on strategic missiles may seem spectacular, but there is one problem: what are these missiles for, anyhow, and why do you need 4,500?

The world is now less impressed by bilateral number-cutting of the superpower arsenals, because it is starting to look irrelevant. The most urgent nuclear priorities today are the control and stability of the weapons systems inside the ex-Soviet Union, and the containment of proliferation; but neither of these tasks can be handled privately by the two superpowers. On the contrary, they need far-reaching international co-operation.

It is not clear that the US welcomes this aspect of the new world order. When President François Mitterrand of France suggested last September that the four nuclear powers with weapons in Europe (US, UK, France and the Soviet Union) should jointly discuss the security of Soviet nuclear weapons, the idea was icily ignored by the US. The three western foreign ministers have now made separate trips to the ex-Soviet republics to study the question, and have returned with different conclusions.

Unfortunately, America's European allies have been equally slow to accept the egalitarian nature of the new world order. Mr Mitterrand's four-power suggestion annoyed the Germans as well as the Americans, because Bonn could see no reason why it should not be equally involved in the problem of Soviet nuclear security. It is not surprising, therefore, that Germany has now proposed, in Nato, that the unilateral US and Soviet offers to eliminate all their tactical nuclear weapons should be subject to a collective process of verification. The proposal has been kept fairly discreet; but it is a significant warning shot to the so-called superpowers.

Last Friday's summit meeting of the UN Security Council is another case in point. France (which first suggested it) and Britain (which organised it) may have intended to shift the bilateralism of the Cold War to the multilateralism of the UN. In practice, this declaratory meeting will have achieved little apart from TV exposure; it annoyed the Germans, because it underlined the fact that they are not members of the Security Council.

Unlike the Japanese, the Germans will probably refrain from demanding a permanent seat on the Security Council. But the incident can only reinforce their determination that their views will in future play a role in the UN postures of France and Britain.

Political power is leaking uncontrollably away from Moscow and Washington. Lesser powers are no longer prepared for the role of docile followers, although some still hanker irritatingly after anachronistic privileges. But the old hierarchies have to go, because the world is changing.